Corporate Level Strategy

20/03/2020

Corporate-Level Strategy refers to the top management's approach or game plan for administering and directing the entire concern. These are based on the company's business environment and internal capabilities. It also called as Grand Strategy.

It reflects the combination and pattern of business moves, actions and hidden goals, in the strategic interest of the concern, considering various business divisions, product lines, customer groups, technologies and so forth.

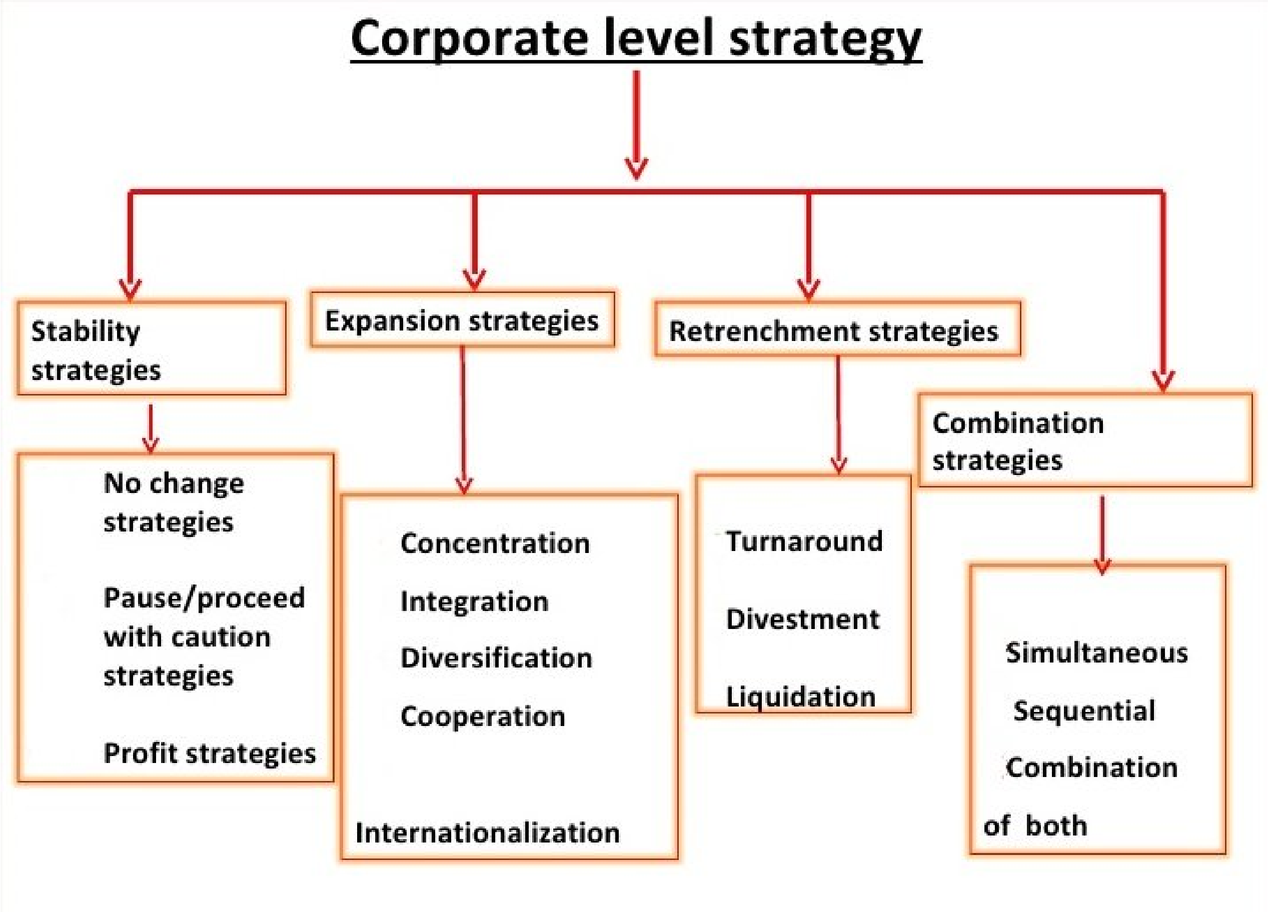
Salient Features of Corporate Level Strategy

- Corporate Level Strategies is developed by the company's highest level of management considering the company's overall growth and opportunities in future.
- It describes the orientation and direction of the enterprise in the long run and the overall boundaries which acts as the basis for formulating the company's middle and low-level strategies, i.e. business strategies and functional strategies.
- While formulating corporate-level strategies, the company's available resources and environmental factors are kept in mind.
- It is concerned with the decisions regarding the two-way flow of company's information and resources between the various levels of management.

In better words, corporate-level strategy implies the topmost degree of strategic decision making, which covers those business plans which are concerned with the company's objective, procurement and optimal allocation of resources and coordination of business strategies of different units and divisions for satisfactory performance.

Classification of Corporate-Level Strategies

The corporate-level strategies are classified into four parts:



Stability is a critical business goal which is required to defend the existing interest and strengths, to follow the business objectives, to continue with the existing business, to keep the efficiency in operations, etc.

In the stability strategy, the firm continues with its existing business and product markets, as well as it maintains the current level of endeavour as the firm is satisfied with the marginal growth.

When a company finds that it should continue in the existing business and is doing reasonably well in that business but no scope for significant growth, the stability is the strategy to be adopted.

The stability strategy is not a “do nothing” strategy. It may involve incremental improvements.

Long-term stability strategy also requires reinvestment, R& D and innovation. However, the business definition remains the same.

Reasons for Adopting Stability Strategy

- The company is doing fairly well or perceives itself as successful and expects the same in the future.
- The stability strategy is less risky. Frequent changes involving new products or new ways of doing things may lead to failure of the firm. The larger the firm and the more successful it has been, the greater is the resistance to the risk.

- The stability strategy can evolve because the managers prefer action to thought and do not tend to consider any other alternatives. Many of the firms that follow stability strategy do this unconsciously. Such companies react to the changes in the forces in the environment.
- To follow a stability strategy, it is easier and more comfortable for all concerned as activities take place in routines.
- The management pursuing stability strategy does not have the mind-set of a strategist to appraise the environmental opportunities and threats and take advantage of the opportunities.
- The company that has core competence in the existing business does not want to take the risk of diverting attention from the current business by opting for diversification.

Also called a growth strategy, wherein the company's business is reevaluated so as to extend the capacity and scope of business and considerably increasing the overall investment in the business.

In the expansion strategy, the enterprise looks for considerable growth, either from the existing business or product market or by entering a new business, which may or may not be related to the firm's existing business. Basically, it encompasses diversification, merger and acquisitions, strategic alliance, etc.

This strategy involves redefining the business either adding to the scope of activity or substantially increasing the efforts of the present business.

When expansion strategy is pursued, it could lead to addition of new products or new markets or functions. Even without a change in business definition many firms undertake major increases in the pace of activities.

Expansion strategy is often considered as **"entrepreneurial"** strategy where firms develop and introduce new products and markets or penetrate markets to build share. Expansion is usually thought as the way to improve performance.

Strategists need to distinguish between desirable and undesirable expansion.

Reasons for Adopting Expansion Strategy

- If business environments are volatile, expansion may be a necessary strategy for survival.
- Many executives may feel more satisfied with the prospects of growth expansion.
- Chief Executive Officer may feel pride in presiding over organizations perceived to be growth-oriented.
- Some executives believe that expansion is in the benefit of the society.
- Expansion provides more financial and other rewards.
- Expansion enables to reap advantages from the experience curve and scale of operations.

This is pursued when the company opts for decreasing its scope of activity or operations. In retrenchment strategy, a number of business activities are retrenched (cut or reduced) so as to minimize cost, as a response to the firm's financial crisis. Sometimes, the business itself is dropped by selling out or liquidation.

Therefore, areas where there is a problem is identified and reasons for those problems are diagnosed, after that corrective or remedial steps are taken to solve those problems. So, when the firm concentrates on the ways to reverse the process of decline, it is called a turnaround strategy.

However, if it drops the loss-making venture or part of the company or minimizes the functions undertaken, it is called a divestment or divestiture strategy. If nothing works, then the firm may choose for closing down the firm, it is called a liquidation strategy.

Retrenchment strategy is generally followed during the period of decline of a business when it is thought possible to bring profitability back to the firm. If the prospects of restoring profitability are not good, abandoning market share, reducing expenses and assets can use controlled divestment.

Reasons for following retrenchment strategy

- The firm is doing poorly.
- If there is pressure from various groups of stakeholders to improve performance.
- If better opportunities of doing business are available elsewhere a firm can better utilize its strengths.

The retrenchment strategy is particularly followed for dealing with crises. For minor crises pace retrenchment will be suitable, for moderate crises, divestiture of some division or units may be inevitable whereas for serious crises, a liquidation strategy will be imperative.

In this strategy, the enterprise combines any or all of the three corporate strategies, so as to fulfill the firm's requirements. The firm may choose to stabilize some areas of activity while expanding the other and retrenching the rest (loss-making ones).

The primary focus on corporate-level strategies is on the "directing" the managers on 'how to manage the scope of various business activities' and 'how to make optimum utilization of firm's resources (material, money, men, machinery), etc. on different business activities'.

Reasons for following Combination strategies

- When the organization is large and faces a fast changing complex environment.
- The company's products are in different stages of the life-cycle.
- A combination strategy is suitable for a multiple-industry firm at the time of recession.

- The combination strategy is best for firms, divisions of which perform unevenly or do not have the same future potential.

Levels of Strategy

05/03/2020

Strategic Management Levels: Corporate, SBU and Functional Strategies

In a multi-business enterprise, having several SBUs, there would be three levels of strategy, viz., corporate strategy, SBU strategy and functional strategy. In enterprises which do not have SBUs, there will be only two levels of strategy, i.e., corporate strategy and functional strategies.

1. **Corporate Strategy:**

Corporate strategy is the long-term strategy encompassing the entire organisation. Corporate strategy addresses fundamental questions such as what is the purpose of the enterprise, what business/businesses it wants to be in (portfolio strategy) and how to expand/get into such business/businesses (for example – by establishing greenfield enterprises or by M&As).

In other words, "corporate-level strategic management is the management of activities which define the overall character and mission of the organisation, the product/service segments it will enter and leave, and the allocation of resources and management of synergy among its SBUs."

Corporate strategy is formulated by the top level corporate management (board of directors, CEO, and chiefs of functional areas).

2. **SBU Strategy:**

SBU-level strategy, sometimes called Business Strategy or Competitive Strategy, is concerned with decisions pertaining to the product mix, market segments and manoeuvring competitive advantages for the SBU.

While corporate strategy decides the business portfolio (i.e., the types of business), the competitive strategy decides the strategy/strategies to succeed in the chosen business/businesses.

SBU strategy has to conform, obviously, to the corporate philosophy and strategy.

In short, "the SBU-level strategic management is the management of an SBU's effort to compete effectively in a particular line of business and to contribute to overall organisational purposes."

The responsibility for SBU strategy is with the top executives of the SBU who are normally second-tier executives in the corporate hierarchy. In single SBU organisations, senior executives have both corporate and SBU-level responsibilities.

3. **Functional Strategies:**

Functional-level strategies are strategies for different functional areas like production, finance, personnel, marketing, etc. In other words, “functional-level strategic management is the management of relatively narrow areas of activity, which are of vital, pervasive, or continuing importance to the total organisation.”

Functional-level strategy is the responsibility of functional area heads.

Personal ethics Introduction, Meaning

16/07/2020

Personal ethics is the code of ethical guidelines that guide you in your personal and professional life. They often develop from your core values and work ethic into actionable goals used in a variety of challenging situations. Your personal ethics can, and likely will, contain common ethical guidelines that other people share, but they will vary in their level of importance and how to maintain them.

Some common personal ethics include:

- Integrity
- Selflessness
- Honesty
- Loyalty
- Equality and fairness
- Empathy and respect
- Self-respect

Personal ethics are moral guidelines that can help you through tough situations and make the best decisions. You are likely to use your personal ethics to develop your career and handle many different workplace scenarios. You can develop a clear and effective personal ethics statement that outlines the values you practice in professional settings. In this article, we discuss what personal ethics is, describe how to write a statement and provide a sample to help you craft your own.

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Personal ethics statement

A personal ethics statement is a written declaration of your closely held ethical principles.

Personal ethics statements can be developed for several reasons, including:

College applications: Many colleges are asking for written personal ethics statements from applicants to better understand the qualities and characteristics of prospective students. These statements can help students stand out from the other applicants when their personal ethics align with that of the university or college. Plus, many colleges are making it a requirement in the application process so they can take a closer look at behavior and motivations.

Job applications: Some companies are also asking for personal ethics statements because jobs are becoming more competitive. Personal ethics statements can be a part of the process for any job, but it is most common for leadership positions. Companies frequently look to improve and shape the quality of leadership within they have, which results in asking candidates to detail their personal ethics and apply them to their work and leadership potential.

Performance evaluations: Companies also ask for personal ethics statements at performance reviews to deeply analyze employees' actions and how they implement the company's—and their own ethics while on the job. These statements can be very telling since they show whether an employee understands the ethical implications of their actions and are working toward better alignment with the company's values.

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Benefits of having a personal ethics statement

There are many benefits to having a personal ethics statement both for your career. Defining your personal ethics makes it easier to talk about in a well-thought-out manner, which may improve your performance in an interview. Personal ethics statements also:

Help you understand your priorities. Having a clear understanding of what matters most to you can assist you in advancing your career. Defining your personal ethics statement can help you understand your priorities. If you prioritize putting other people's needs first, then you are more likely to be happy in a job where you help people. If you prioritize doing a good job and being highly productive, then you may make a good business leader. These differences in your priorities can help you determine what type of job is best for you and what jobs you should avoid because of conflicts with your personal ethics.

Make decisions easier. Alongside clarifying your priorities, having a personal ethics statement can also make decisions easier. There are many situations where you will need to decide on the right course of action. This is especially true if you lead a team or are a high-level executive in your company. Having a list of criteria can make weighing your options easier.

Improve goal-setting. Once you know what you will and won’t focus on, you can use your personal ethics statement to set goals for your development. You can identify which values matter most to you and identify opportunities and future steps you should pursue.

Refine your leadership style. Creating a personal ethics statement is an effective way to help advance your career, especially when applying to a leadership position or a position that requires a strong set of personal ethics. Knowing what you value and what you stand for can help you decide on a leadership style that enables you to lead teams to progress and success.

Principles of Personal Ethics, Importance

24/07/2022

Personal Ethics refers to a person's personal morals and code of conduct. From the very beginning of a person's understanding, these ethics are being instilled in the individual by their parents, family and friends. Without any personal ethics, the life of the human being is incomplete and shallow. As an example, we can consider an individual's honesty, openness, sense of responsibility etc. The person with good personal ethics will automatically show his moral and virtues while talking to his friends, relatives and elderly people. A person's personal ethics are revealed in an exceedingly professional situation through his behaviour.

- Instill a sense of trust and support in leaders: Leaders and other professionals who regularly behave in the same way no matter the situation are more likely to be trusted and supported by colleagues and employees. Individuals who follow a sound ethical code are easier to believe in and are more likely to establish credibility among others.
- Allow leaders to more effectively lead their teams: When a leader regularly follows a predictable and respectable code of ethics, their team is more likely to follow their lead and feel confident in the contributions they make to the organization as a whole.
- Give individuals a solid basis of which to determine the most appropriate action in any given situation: When a person has solid personal ethics, they are better able to make decisions and take action in situations that may otherwise seem challenging.
- Improve the decision-making process: A professional's ability to make decisions is based on their personal and professional ethics and what they believe to be good or bad. Having strong ethics makes the decision-making process easier and more streamlined.
- Support motivation: Individuals with strong ethics are often easily self-motivated and willing to go the extra mile to accomplish a task or goal on time and in the correct manner.
- Set a standard of behavior: In the workplace and in life, ethics help establish an appropriate standard of behavior for individuals. This behavior is called ethical behavior and refers to a person's ability to make sound decisions based on their ethical nature.

Personal Ethics	Professional Ethics
Includes your personal Morals and Values.	Rules imposed on the individual by his organization.
Not conforming that this may hurt others.	Not adhering that this may destroy your professional reputation.
Learned from family, friends and relatives since childhood.	Learned when become part of corporate world.

Personal needs are satisfied by following personal ethics.	Professional needs are satisfied by following professional ethics.
Example: Openess, Honesty, Friendliness, Respect for Others, Loyalty, Honesty, Integrity.	Example: Abiding by the law, Industry Standards, Worker Treatment, Confidentiality, Worker Safety.

Basics of Business Ethics

16/07/2020

The word ethics is derived from the Greek word 'ethos', which means character. Ethics is a branch of philosophy concerned with human character and conduct. It is the discipline dealing with 'what is good and bad' and with moral duty and obligation. Ethics is the embodiment of moral values, which describes what, is 'right' and what is 'wrong' in human behaviour and what 'ought to be'.

The erstwhile-regulated economies necessitated their governments to regulate and control business organisations and economic institutions through law and government mechanisms to enable them to play their role in contributing to the growth and wellbeing of their stakeholders in a balanced way such that the interest of the almost all the people was protected.

Various business management concepts, principles, theories, practices, goals and strategies have been under evaluation, revalidation and constant change consequent upon massive liberalisation, privatisation and globalisation of business initiated towards the end of the 20th Century and geared up in the beginning of the present century.

Governments, which were hitherto discharging the responsibilities of safeguarding the customers' interest in respect of quality, price, safe and timely delivery of the product etc., protecting the companies from unhealthy competition, restricting the concentration of economic power in the hands of a few which should be otherwise enjoyed by the majority of the population and the like, relegated and shifted the responsibility on to the shoulders of the business organisations, often simply by encouraging trade liberalization and privatisation.

Many social scientists felt that the deregulation of business would encourage the business to reverse back to its orthodox objective of profit maximization by whatever means including practising unethical conduct. But sooner or the later, a number of incidents around the world proved that businesses should carry out their operations ethically for the sake of basic survival.

Ethics is a "consideration and application of frameworks, values and principles for developing moral awareness and guiding behaviour and action". Commonly, ethics is also referred to as "moral, good, right, just and honest. Ethical standards are referred to as the principles or ideals of human conduct." Thus, ethics implies good character and morality and refers to generally accepted human character and behaviour considered as a desirable by contemporary society.

The nature and concept of Ethics, we can say that Business Ethics is nothing but the application of Ethics in business. Business Ethics proves that businesses can be, and have been, ethical and still make profits. Business Ethics was thought of as being a contradiction of terms. Thankfully, not any more. Today, more and more interest is being given to the application of ethical practices in business dealings and the ethical implications of business.

Human beings have been endowed with the freedom of choice and the means of free will. He can distinguish between good and evil, right and wrong, just and proper. He can distinguish between the end he wishes to pursue and the means to gain that end.

Now, what is true for human beings is also true for business, because business are carried on by human beings only, and business organisations are nothing but formal structures for human beings to carry on their businesses. Moreover, businesses are thought of as being living, growing entities. Thus, businesses also have choices-a choice to maximise their profits and a choice to do good for the society in which they live and operate.

However, at most times, profit maximisation and discharging of social responsibilities at the maximum limit, cannot be carried on simultaneously. One is bound to affect the other. For example, Concern for Task (Productivity) and Concern for Human Beings (workers) are bound to pull each other in opposite directions. It is difficult, if not impossible, to maximise both together.

A conflict arises in trying to achieve both simultaneously. Hence, many managerial choices represent Managerial Dilemmas, between the profit consideration (commercial concern) and the social consideration (welfare concern) of the organisation. Many managerial decisions have ethical implications and these decisions give rise to Managerial Dilemmas.

For example, ruining occupations of age-old inhabitants in a particular locality and their ethical way of life, by using advanced technology, is an ethical dilemma. Technological advancements have to come, have to be used; however, what to do with the people whose life and earnings are affected by the utilisation of advanced technology, is a question which is difficult to answer.

Recently an award-winning regional language file of India, depicted the plight of an aged boatman whose occupation was to transport people and goods across the local river, as there was no bridge over the river. However, his occupation gets threatened when a bridge is built over the river.

This does not mean that technology advancement must not be utilised or that modern methods should not be welcomed. Certainly, they should. Science and technology should, by all means, be used to uplift and make better the lives of human beings all over the world, and specially in such backward regions as this boatman lived.

However, consideration should also be given to see whether alternative means of arrangements can be made so that people are not unduly disturbed or that their trauma and upheaval is kept at a minimum. In case of the boatman, an ethical and effective solution lies in providing him with alternative employment on the bridge itself-as a security man, toll tax collector, etc.

Similarly, when Mergers take place between companies, or Acquisition of one company by a bigger company, where Job positions are duplicated, instead of employees losing their jobs for no fault of their, ethical solutions lies in Job Reassignment or Retraining for alternative Job Assignments.

A business or company is considered to be ethical only if it tries to reach a trade-off between perusing its economic objectives and its social obligations, i.e., between its obligations to the society where it exists and operates; its obligations to its people due to whom it can even think of pursuing economic goals; to its environment, from whom it takes so much without it demanding anything back in return; and the like.

There are several characteristics or features of business ethics.

Some of them are discussed here:

1. Business ethics are based on social values, as the generally accepted norms of good or bad and 'right' and 'wrong' practices.
2. It is based on the social customs, traditions, standards, and attributes.
3. Business ethics may determine the ways and means for better and optimum business performance.
4. Business ethics provide basic guidelines and parameters towards most appropriate perfections in business scenario.
5. Business ethics is concerned basically the study of human behaviour and conducts.
6. Business ethics is a philosophy to determine the standards and norms to make mutual interactions and behaviour between individual and group in organisation.
7. Business ethics offers to establish the norms and directional approaches for making an appropriate code of conducts in business.
8. Business ethics are based on the concepts, thoughts and standards as contributed as well as generated by Indian ethos.
9. Business ethics may be an 'Art' as well as 'Science' also.
10. Business ethics basically inspire the values, standards and norms of professionalism in business for the well-being of customers.
11. Business ethics is to motivate and is consistently related with the concept of service motives for the customers' view point.
12. Business ethics shows the better and perspective ways and means for most excellences in customisation.
13. Business ethics aims to emphasise more on social responsibility of business towards society.

Ethical Principles in Businesses from an Indian Perspective

Essentially, any businesses that run in India comprises of these ethical principles.

Integrity

Whenever there is great pressure to do right instead of maximizing profits, this principle is tested. The executives need to demonstrate courage and personal integrity, by doing what-what think is right.

These are the principles, which are upright, honorable. They need to fight for their beliefs. For these principles, they will not back down and be hypocritical or experience.

Loyalty

No ethical behavior can be promoted without trust. And for trust, loyalty needs to be demonstrated. The executives need to be worthy of this trust while remaining loyal to the institutions and the person. There should be friendship in the time of adversity and support and devotion for the duty.

They should not use or disclose personal information. This leads to confidence in the organization. They should safeguard the ability of a professional to make an independent decision by avoiding any kind of influence or the conflicts of interest.

So, they should remain loyal to their company and their colleagues. When they accept the other employees, they need to provide a reasonable time to the firm and respect the proprietary information attach to the previous firm. Thus, they should refuse to take part in any activity that might take the undue advantage of the firm.

Honesty

The ethical executives are honest while dealing with their regular work. They also need to be truthful and do not deliberately deceive or mislead the information to others. There should be an avoidance of the partial truths, overstatements, misrepresentations, etc. Thus, they should not have selective omission by any means possible.

Respect and Concern

These are two necessarily different forms of behavior in the organization. But they go in tandem that is why they have been put under one principle. When the executive is ethical he is compassionate, kind, and caring.

There is one golden rule which states that help those who are in need. Further, seek their accomplishments in such a manner that the business objectives of the firm are achieved.

The executives also need to show respect towards the employee’s dignity, privacy, autonomy, and rights. He needs to maintain the interests of all those whose decisions are at stake. They need to be courteous and treat the person equally and rightly.

Fairness

The executives need not be just fair in all the dealings, but they also should not exercise the wrong use of their power. They should not try to use over each or other indecent manners to gain any sort of advantage. Also, they should not take undue advantage of anything or other people's mistakes.

Fair people are inclined more towards justice and ensure that the people are equally treated. They should be tolerant, open-minded, willing to admit their own mistakes. The executives should also be able to change their beliefs and positions based on the situation.

Leadership

Any executive, if ethical, should be a leader to others. They should be able to handle the responsibilities. They should be aware of the opportunities due to their position. The executives need to be a proper role model for others.

Basic Concept of Business Ethics:

The **basic concepts of business ethics** are involved with **three different types of moral or ethical issues**. Some concepts focus on the issues covering the function of business within the environment where the business activates i.e. political, economic, legal and other social factors. Other concepts focus on the corporate issues, i.e. the issues pertaining to the functioning of a certain business or company. While the other concepts focus on the individual issues, i.e. the issues pertaining to the conduct or behavior of individuals within a business or company. In this discussion the following concepts will be briefly explained:

- **Businesses as a "Corporate Entity"**
- **Business Ethics considered as "Good"**
- **Unethical Business Practices**
- **Moral Rights**
- **The Concept of Justice**

Businesses as a "Corporate Entity":

Business corporations in most of the nations are considered legally as entities or persons, i.e. the rights and liabilities legally applicable to persons or citizens are also applicable to business corporations.

The eventual objective of individual ethics is developing a set of ethical standards which can be held as acceptable after considering everything carefully in a particular situation. These individually accepted ethical standards can also be applied to different situations such as personal, social and even in a business. Most of the consumers agree that a business should follow the same moral standard while interacting with an individual customer as well as interacting with all customers locally, nationally or globally.

Business Ethics considered as "Good":

Business ethics considered as "Good" requires containing and following a norm of moral values keeping the expectations and rights of people ahead of the profit maximization of business. A business's main goal is to make a profit but peoples' rights and expectations should not be ignored. Good business ethics is beneficial for businesses in the following three ways:

- It Discourages the breaking of laws in business activities.
- It assists businesses to avoid steps for which the company may come under costly civil lawsuits.
- It demotivates companies to engage in actions which can damage the image of the company. Good business ethics helps to improve businesses profitability as following ethical values prevents loss of revenue and company reputation.

Though moral standards are something which goes beyond the legal requirements, some of them are ascertained by the legal system. There are various laws against fraudulence, stealing, killing, sexual harassment, and so on.

Unethical Business Practices:

Many big companies have been fined a large amount of money for following unethical business practices. Unethical business practices go far beyond functions breaking the law. Many renowned companies are engaged in unethical and questionable practices without breaking any laws. They follow practices just to increase their profits ignoring the rights of the consumers, such as, giving less in quantity or quality, selling old or low-quality products with free gifts, etc.

The businesses have to make a profit but not at the cost of moral or ethical values. Businesses are ethically responsible for their activities as individuals are responsible for theirs.

Moral Rights:

Generally, a moral right refers to a person's claim to something. When a person is entitled to a right, he or she is able to make a decision whether or not to claim such right without anyone's permission. The entitlement of moral or ethical rights implies that others have particular duties towards the person bearing the right.

Negative rights enforce duties on other people not to interfere in your activities which are right for or important to you. For example, your right to make your own decisions or right to express your own opinion about anything.

Positive rights generate duties on others to give something to the person bearing the right. They state that others must contribute some benefits to the bearer of the right. For example, education, you have the right to educate yourself. If you are eligible to get yourself admitted to a varsity to get an education on a specific subject or do a specific course, the varsity has to provide you the benefit of education.

The Concept of Justice:

The concepts of justice are based on ethical principles that determine just means of allocating benefits and burdens to all people of the society. The following beliefs are utilized to distribute the benefits and burdens in a just or fair way to the people of the society.

Egalitarianism states that all human beings are equal. According to this belief, all the benefits and burdens of the society should be circulated according to this principle:

“Every person should be given exactly equal shares of a society’s or a group’s benefits and burdens.”

Utilitarianism states that a just society’s laws and institutions promote the best overall or average welfare of its members. According to this belief, the greatest benefits for all, and the society should be organized in such a way that its wealth is allocated to meet everyone’s basic needs.

Socialist justice, states

“work burdens should be distributed according to people’s abilities, and benefits should be distributed according to people’s needs.”

It is focuses on equal justice for everyone whether they are poor, middle class or rich.

Capitalist justice states that a person should receive the benefits proportionate to his or her contribution to the society.

Libertarian justice states that the free market is naturally just, and that redistributive taxation breaches the property rights of people. This belief is founded on two principles: Principle 1 (*Principle of equal liberty*) and Principle 2 (***Difference principle***) both referring how everyone is responsible for one’s own future not regarding of what happens.

Types of Business ethics

16/07/2020

Personal Responsibilities: This refers to the personal beliefs of an individual. Every individual has certain firm beliefs on certain matters' such as honesty, avoiding criminal acts, obedience to elders, willing to perform accepted duties, promptly settling the dues etc.

Official Responsibilities: Only persons or human beings occupy positions. A person who-is occupying a certain position should strictly follow certain norms and other standards set for that official capacity.

Personal Loyalties: These include loyalties of a subordinate to his superior. So long as the superior is just and honest, the subordinates shall not face any problem.

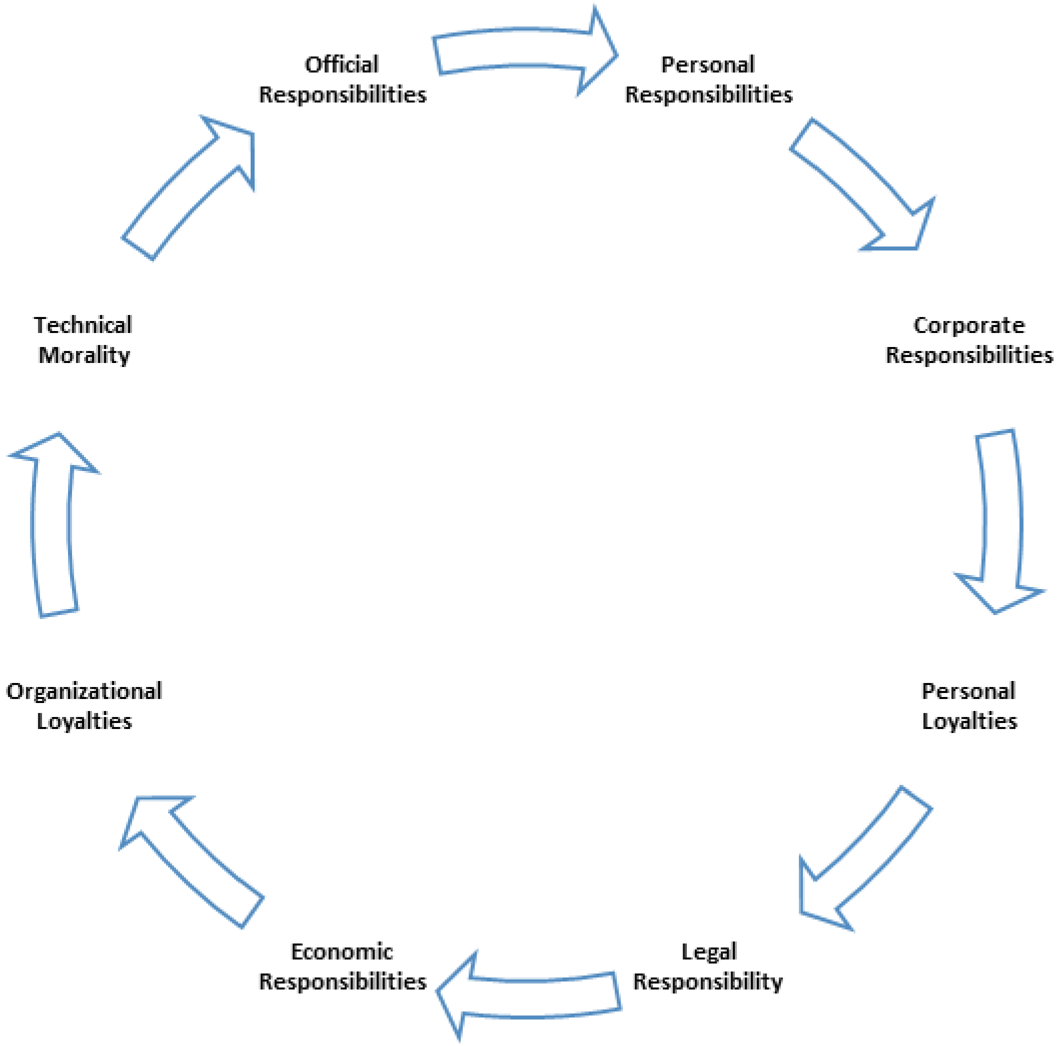
Corporate Responsibilities: Corporations, as separate legal entities, have certain moral responsibilities. The responsibilities may not be identical with the personal moral codes of the managers who run the company. These responsibilities may be internal or external.

Organizational Loyalties: Many people develop a deep sense of loyalty towards the organization as an entity that goes beyond their personal interest. This loyalty has arisen out of love and affection. This factor can be stimulated effectively. If so, the employees will work hard and help the enterprise in achieving its objectives.

Economic Responsibilities: This type of morality guides the individual actions of an economic nature. For instance, some businessmen think it immoral to borrow. However, this type of people is very rare to see.

Technical Morality: Professional people should adhere to certain ethical standards established by competent bodies or persons or by customs. The Code of Conduct set for them by the concerned institutions governing the profession binds lawyers, chartered accountants, doctors etc.

Legal Responsibility: It refers to the responsibility imposed by law. What are all illegal are supposed to be unethical also. Everyone should be a law-abiding citizen.


Official Responsibilities
Personal Responsibilities
Corporate Responsibilities
Personal Loyalties
Legal Responsibility
Economic Responsibilities
Organizational Loyalties
Technical Morality

Organizational and Ownership Structure

08/03/2020

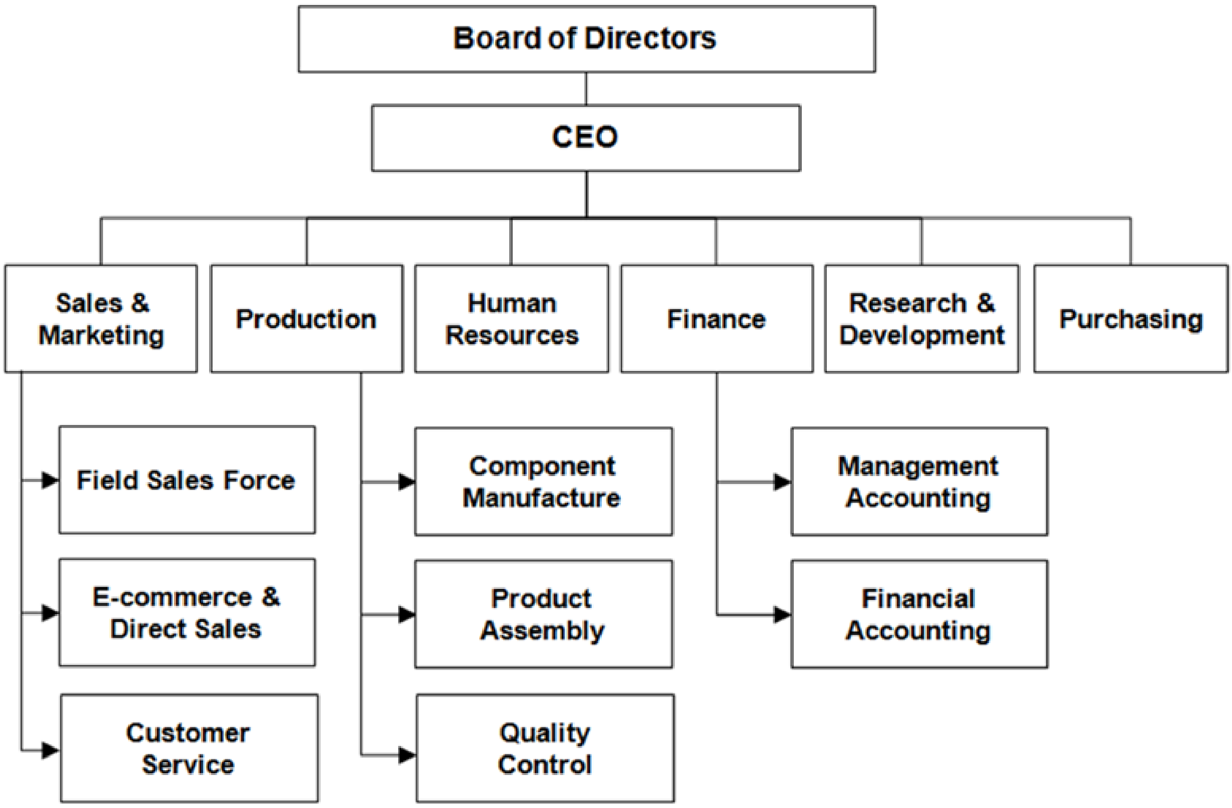
An organizational structure is defined as “a system used to define a hierarchy within an organization. It identifies each job, its function and where it reports to within the organization.” A structure is then developed to establish how the organization operates to execute its goals.

There are many types of organizational structures. There’s the more traditional functional structure, the divisional structure, the matrix structure and the flatarchy structure. Each organizational structure comes with different advantages and disadvantages and may only work for companies or organizations in certain situations or at certain points in their life cycles.

> **Types of Organizational Structures**

1. **Functional**

The functional structure is based on an organization being divided up into smaller groups with specific tasks or roles. For example, a company could have a group working in information technology, another in marketing and another in finance.



Each department has a manager or director who answers to an executive a level up in the hierarchy who may oversee multiple departments. One such example is a director of marketing who supervises the marketing department and answers to a vice president who is in charge of the marketing, finance and IT divisions.

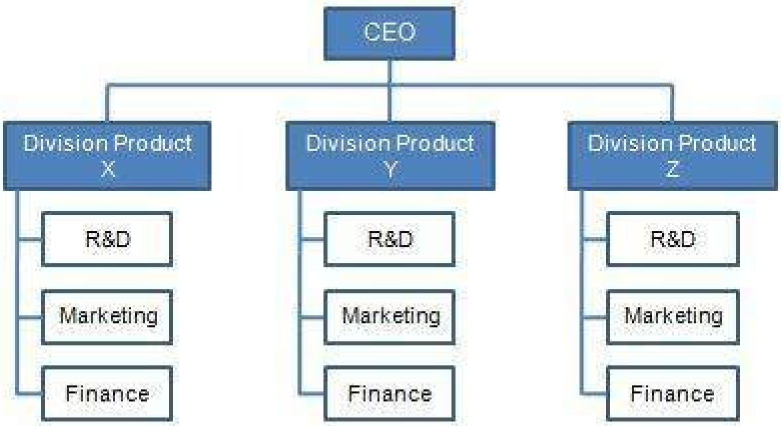
An advantage of this structure is employees are grouped by skill set and function, allowing them to focus their collective energies on executing their roles as a department.

One of the challenges this structure presents is a lack of inter-departmental communication, with most issues and discussions taking place at the managerial level among individual departments. For example, one department working with another on a project may have different expectations or details for its specific job, which could lead to issues down the road.

2. **Divisional**

Larger companies that operate across several horizontal objectives sometimes use a divisional organizational structure.

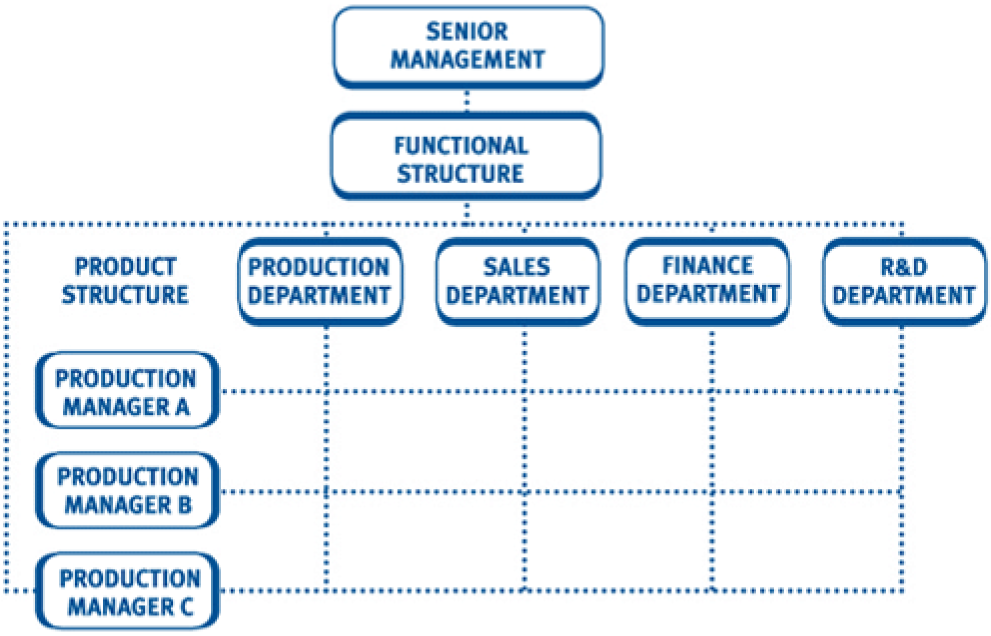
This structure allows for much more autonomy among groups within the organization. One example of this is a company like General Electric. GE has many different divisions including aviation, transportation, currents, digital and renewable energy, among others.



Under this structure, each division essentially operates as its own company, controlling its own resources and how much money it spends on certain projects or aspects of the division.

3. **Matrix**

A hybrid organizational structure, the matrix structure is a blend of the functional organizational structure and the projectized organizational structure.



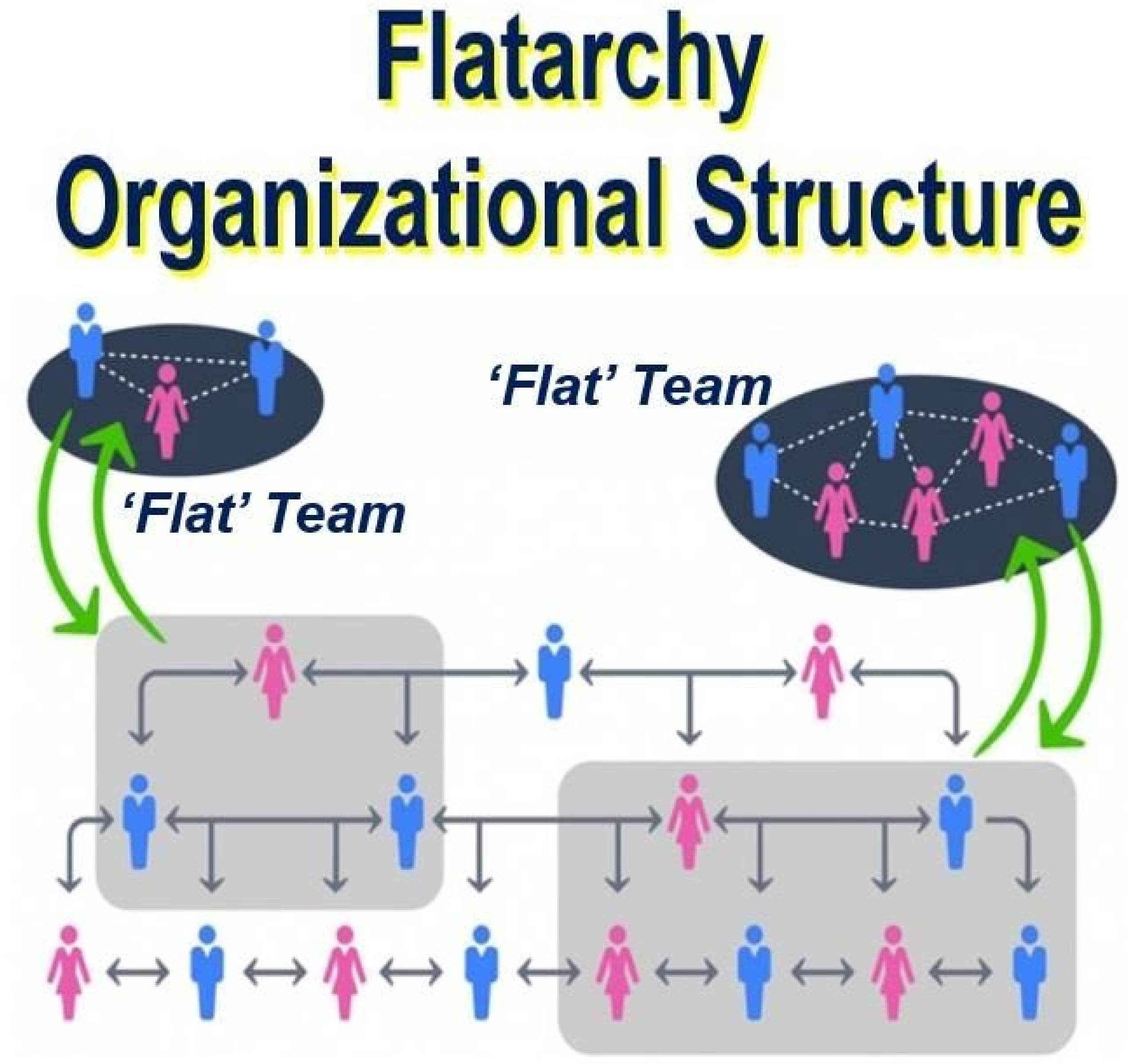
In the matrix structure, employees may report to two or more bosses depending on the situation or project. For example, under normal functional circumstances, an engineer at a large engineering firm could work for one boss, but a new project may arise where that engineer's expertise is needed. For the duration of that project, the employee would also report to that project's manager, as well as his or her boss for all other daily tasks.

The matrix structure is challenging because it can be tough reporting to multiple bosses and knowing what to communicate to them. That's why it's very important for the employees to know their roles, responsibilities and work priorities.

Advantages of this structure is that employees can share their knowledge across the different functional divisions, allowing for better communication and understanding of each function's role. And by working across functions, employees can broaden their skills and knowledge, leading to professional growth within the company.

4. **Flatarchy**

While the previous three types of organizational structures may work for some organizations, another hybrid organizational structure may be better for startups or small companies.



Blending a functional structure and a flat structure results in a flatarchy organizational structure, which allows for more decision making among the levels of an organization and, overall, flattens out the vertical appearance of a hierarchy.

The best example of this structure within a company is if the organization has an internal incubator or innovation program. Within this system, the company can operate in an existing structure, but employees at any level are encouraged to suggest ideas and run with them, potentially creating new flat teams. Lockheed Martin, according to Forbes, was famous for its skunkworks project, which helped develop the design of a spy plane.

A benefit of this system is it allows for more innovation company-wide, as well as eliminating red tape that could stall innovation in a functional structure. As for the negatives, the structure could be confusing and inconvenient if everyone involved doesn’t agree on how the structure should be organized.

Key components of an industry

13/10/2022

1. **Competitors:**

The intensity of competition from existing competitors will depend on several factors including:

1. The number of competitors
2. Their relative size
3. Whether their product offering and strategies are similar
4. The existence of high fixed costs
5. The commitment of competitors and
6. The size and nature of exist barriers

2. **Potential competitors:**

Potential competitors who might have an interest in entering an industry. Whether potential competitors, identified or not, actually do enter, however, depends in large part upon the size and nature of barriers to entry. Thus, an analysis of barriers to entry is important in projecting the likely competitive intensity and profitability levels in the future.

Entry barriers include:

1. Capital investment required.
2. Industries like mining, refinery or automobiles require huge investments and larger gestation periods that increase the risk.

3. Economies of scale:

If scale economies exist in production, advertising, distribution, or other areas, it becomes necessary to obtain a large volume quickly. Such an effort not only increases the investment but it also increase the risk of retaliation from existing competitors. Reliance Fresh opted this strategy for reducing the price of fruits and vegetables in its retail outlets.

4. **Distribution channels:**

Gaining distribution in some industries can be extremely difficult and costly. Even large established firms that sell products with substantial marketing budgets have trouble obtaining space on the supermarket shelf Competition between Pepsi and Coke limit the customers' choice on cola as most of the retail outlets have a policy of eliminating one cola product (either Coke or Pepsi brands) from their shelves.

5. **Product differentiation:**

Established firms may have high levels of customer loyalty caused and maintained by protected product features, a brand name and image, advertising, and customer service. Industries in which product differentiation barriers are particularly high include soft drinks, beer, cosmetics, over-the-counter drugs, and banking.

Unfortunately Transport Department of Govt. of India banned this advertisement by citing the reason such as youth tend to follow the ad, violate traffic rules and risk their life.

6. **Substitute products:**

Substitute products are represented by those sets of competitors that are identified as competing with less intensity than the primary competitors.

7. **Customer power:**

When customers have relatively more power than sellers do, they can force prices down or demand more services, thereby affecting profitability. A customer's power will be greater when its purchase size is a large proportion of the seller's business, when alternative suppliers are available, and when the customer can integrate backward and make all or part of the product.

8. **Supplier power:**

When the supplier industry is concentrated and sells to a variety of customers in diverse industries, it will have relative power that can be used to influence prices. Power will also tend to be enhanced when the costs of customers to switch suppliers is high.

Reconciling Divergent Values

03/11/2022

Divergent Values arise from differences in individual experiences, cultural backgrounds, socio-economic conditions, education, and professional roles. In a business setting, these can manifest in many forms—such as a conflict between profit-maximizing goals and employee well-being, or between local traditions and global corporate standards. For instance, a multinational company expanding into a new region may face cultural norms that contradict its standard practices. Similarly, generational gaps in a workforce can result in conflicting expectations regarding work-life balance, communication styles, and attitudes toward authority and change.

Values also diverge across organizational hierarchies. Senior management may prioritize strategic expansion and shareholder value, while middle managers may focus on operational efficiency and staff morale. Employees may value job security, recognition, and ethical treatment. Left unaddressed, these conflicting perspectives can lead to low morale, resistance to change, reduced productivity, and reputational risks.

> **Strategic Importance of Reconciliation:**

Reconciling divergent values is not merely about resolving conflicts—it is a strategic necessity. Organizations that successfully align varying interests build cohesive cultures, foster collaboration, and improve decision-making. Leaders who understand the complexity of stakeholder values are better equipped to design inclusive policies and sustainable strategies. Reconciling values also enhances corporate governance by ensuring transparency, ethical behavior, and social responsibility.

Moreover, in today's competitive landscape, organizations are evaluated not only on financial performance but also on their ethical and social credentials. Reconciling conflicting values is essential for corporate citizenship, stakeholder engagement, and long-term brand loyalty. Businesses that fail to do so may suffer from internal instability, public criticism, and legal complications.

> **Methods for Reconciling Divergent Values:**

Inclusive Leadership

Inclusive leadership is fundamental to managing value diversity. Leaders must encourage open dialogue, listen actively to multiple perspectives, and be willing to compromise. They should model ethical behavior, communicate shared goals, and foster a climate where every voice is valued. Inclusive leaders can unify teams by emphasizing common interests over personal differences.

Organizational Culture and Ethics

A strong, value-driven organizational culture helps align diverse values. Core values such as integrity, respect, fairness, and accountability serve as a foundation for decision-making. Establishing a clear code of ethics, conducting regular training, and reinforcing desired behaviors are essential strategies. Ethical culture also empowers employees to raise concerns and contribute constructively.

Stakeholder Engagement

Effective stakeholder engagement bridges value gaps by understanding and addressing the expectations of all interested parties. Organizations should engage customers, suppliers, employees, and communities through regular feedback mechanisms, partnerships, and transparent communication. Collaborative approaches to stakeholder management enable the firm to craft policies that balance multiple interests.

Conflict Resolution Mechanisms

Conflict is inevitable where values diverge. Organizations must implement mechanisms to address disputes early and constructively. Mediation, open forums, grievance redressal systems, and ethics committees are tools that facilitate fair and respectful conflict resolution. These systems also ensure that tensions do not escalate into systemic problems.

Flexible Strategic Planning

Strategic planning should be adaptive to accommodate divergent values. Scenario planning, stakeholder mapping, and risk assessments help managers anticipate value-based tensions and develop responsive strategies. Rather than rigid adherence to predetermined goals, flexible planning enables the organization to evolve its practices in harmony with changing value dynamics.

Shared Vision and Purpose

A shared vision helps align personal, professional, and organizational values. When employees and stakeholders feel connected to the company's mission, they are more willing to reconcile differences for a common purpose. Vision statements, internal communication, and team-building exercises strengthen emotional commitment and value integration.

Modification of Values

03/11/2022

Values are the core beliefs and guiding principles that influence human behavior and organizational culture. In the business environment, values shape decisions, behaviors, and relationships within and outside the organization. However, as organizations evolve, they often face the need to **modify values** in response to changing internal dynamics or external pressures. Modification of values refers to the process through which individuals or organizations reassess and realign their value systems to remain effective, ethical, and competitive in a dynamic environment.

> **Why Modification of Values Is Necessary?**

Environmental Changes:

Changes in the external environment, such as new regulations, technological advances, social expectations, or market shifts, may require businesses to alter their core principles. For example, a company previously focused solely on profit may need to adopt environmental sustainability as a core value due to growing public concern over climate change.

Globalization:

Operating across multiple countries often brings businesses into contact with diverse cultural and ethical norms. In such contexts, organizations must adapt their values to be more inclusive and sensitive to the local context while maintaining coherence with their global strategy.

Organizational Growth and Complexity:

As companies grow, their internal structures become more complex, requiring a shift in values from informal practices to more formal, consistent principles that guide decision-making and conduct.

Crisis or Ethical Failures:

When organizations face scandals, legal issues, or internal conflicts, they are often forced to evaluate and correct flawed value systems that contributed to the problem. This leads to the adoption of new values such as transparency, accountability, or fairness.

Leadership Change:

New leadership can bring a new vision, culture, and ethical perspective, often accompanied by a reassessment of the organization’s core values to better align with the new direction.

> **Process of Modifying Values:**

Modifying values is not a quick or superficial task. It involves a series of steps that include introspection, communication, consensus-building, and reinforcement.

Assessment of Current Values

The first step is to critically examine the existing value system. This involves identifying which values are actively practiced, which are aspirational, and which are outdated or counterproductive. Feedback from employees, customers, and stakeholders can provide valuable insights into value gaps.

Identifying the Need for Change

Organizations must clearly define why change is necessary. This could stem from internal challenges like low employee morale, or external issues like negative public image or compliance failures. Recognizing the gap between current and desired values helps build a case for change.

Redefining Core Values

This involves selecting new or revised values that reflect the future direction of the organization. Values should be relevant, realistic, and capable of being translated into behaviors. For example, “innovation,” “inclusiveness,” or “social responsibility” may be integrated into the value system to reflect modern expectations.

Leadership Commitment

Leaders must demonstrate commitment to new values through consistent action and communication. Their behavior sets the tone for the rest of the organization. Leaders who embody the new values help to legitimize the change and inspire others to follow.

Internal Communication and Training

The revised values must be communicated clearly to all employees. Workshops, meetings, and training programs help individuals understand the meaning, importance, and behavioral implications of the new values. Real-life examples and storytelling can make abstract values more relatable.

Integration into Policies and Practices

Values must be reflected in HR policies, performance appraisals, hiring criteria, customer service standards, and reward systems. For instance, if “collaboration” is a new value, team performance may be emphasized over individual achievements in evaluations.

Monitoring and Reinforcement

Change is sustained through continuous monitoring and reinforcement. Celebrating value-driven behavior, correcting deviations, and using feedback loops ensure that the new values become part of the organizational fabric.

Challenges in Modifying Values:

- **Resistance to Change**: People are often attached to familiar norms and may resist new values, especially if they conflict with personal beliefs or established practices.
- **Superficial Adoption**: If value changes are perceived as a public relations tactic rather than genuine transformation, employees may become cynical or disengaged.
- **Cultural Misalignment**: In multinational organizations, aligning values across geographies without alienating local cultures can be difficult.

Moral Components of Corporate Strategy

03/11/2022

Corporate Strategy refers to the overarching plan of an organization to achieve long-term goals and ensure competitive advantage. Traditionally, this strategy focuses on market dynamics, resource allocation, and financial performance. However, in today's business environment—shaped by globalization, technological transformation, stakeholder activism, and heightened social awareness—**morality and ethics have become vital components of corporate strategy**. Companies are no longer judged solely by profits, but also by how responsibly they operate. The **moral components of corporate strategy** refer to the ethical principles, values, and social responsibilities that guide strategic choices and organizational behavior.

These moral components ensure that the business not only meets its financial targets but also contributes to societal well-being and earns stakeholder trust. The integration of moral elements leads to more sustainable and inclusive growth.

Ethical Decision-Making

A key moral component of corporate strategy is ethical decision-making. Every strategic decision—whether it concerns mergers, market entry, downsizing, or outsourcing—has ethical implications. Ethical decision-making involves evaluating the consequences of actions on various stakeholders and choosing options that uphold fairness, transparency, and integrity.

Organizations that embed ethical frameworks into their strategic process reduce the risk of misconduct, regulatory penalties, and reputational harm. For instance, a company choosing not to exploit labor in low-cost countries or rejecting deals that involve bribery demonstrates moral responsibility even at a financial cost. Ethics-based decisions enhance the long-term credibility and stability of the company.

Corporate Social Responsibility (CSR)

CSR is the voluntary commitment of businesses to contribute to social, environmental, and economic development. It forms an essential part of the moral foundation of corporate strategy. Modern strategic plans often include initiatives that support community development, education, healthcare, environmental sustainability, and employee welfare.

Integrating CSR into corporate strategy aligns business goals with societal needs. It helps businesses build goodwill, differentiate their brand, and attract socially conscious consumers and investors. Moreover, CSR can drive innovation by encouraging the development of eco-friendly products or sustainable supply chains.

Stakeholder Orientation

Traditional strategies focused primarily on shareholders, but modern corporate strategy is **stakeholder-oriented**. This means considering the interests of all stakeholders, including employees, customers, suppliers, communities, and the environment.

A stakeholder-oriented approach is inherently moral because it acknowledges the rights, voices, and impacts of those affected by business activities. By engaging stakeholders in decision-making processes, companies can better anticipate risks, resolve conflicts, and develop more equitable and inclusive strategies. For example, involving employees in strategic change or consulting local communities before launching projects shows respect and shared ownership.

Governance and Accountability

Moral corporate strategy requires strong governance structures to ensure that the company adheres to laws, ethical norms, and internal policies. Good governance is based on principles such as accountability, transparency, fairness, and responsibility.

Boards of directors and executive leadership are responsible for ensuring that the company's strategic direction aligns with moral and ethical standards. Internal controls, ethics committees, and regular audits help maintain strategic integrity. Moral governance also demands accountability—leaders must be answerable for unethical behavior, poor performance, or social harm caused by strategic decisions.

Fairness and Justice

Fairness is a fundamental moral value that must guide corporate strategies. This applies to both internal and external dealings—such as fair wages, equal opportunity employment, unbiased promotion policies, just pricing, and fair dealings with suppliers and customers.

Unfair practices like discrimination, exploitative pricing, and corruption can lead to social backlash, legal consequences, and reputational damage. A strategy built on justice not only enhances employee satisfaction and loyalty but also earns public respect. Companies must ensure that their strategies do not disadvantage or marginalize vulnerable stakeholders.

Sustainability and Environmental Ethics

Environmental considerations have become a core moral dimension of corporate strategy. Businesses must now consider their impact on the planet and adopt sustainable practices. This includes reducing carbon emissions, minimizing waste, conserving resources, and supporting green technologies.

Strategic decisions that prioritize environmental ethics show the company's commitment to future generations. Integrating sustainability into strategy can also reduce costs, meet regulatory demands, and open new markets for green products. Ultimately, it positions the business as a responsible player in global efforts to combat climate change and preserve biodiversity.

Organizational Culture and Values

The culture of an organization reflects its shared values and beliefs. A morally sound strategy must foster a culture where honesty, respect, compassion, and integrity are upheld. This cultural alignment ensures that the strategy is implemented not just in formal structures but also in daily behavior.

Leaders must exemplify ethical values and reinforce them through recognition, training, and communication. A strong ethical culture acts as a moral compass, guiding employees when faced with difficult choices or dilemmas.

Role of Companies in Community Development

28/08/2022

The relationship of business with a community is a social transaction which required that both parties be open, honest, and fair with the other in order to achieve maximum effectiveness. Business responsibilities in a community extend in a wide variety of directions from civil rights to support of the community to support of community cultural activities. It is an essential function of any successful business, refers to the various methods companies use to establish and maintain a mutually beneficial relationship with the communities in which they operate.

Business acknowledges the role in the development of the communities within which it operates in order to sustain the business.

At many businesses, Corporate Social Responsibility (CSR) activities have been designed to put a smile on the faces of every individual it serves. Company contributes to developing the local communities in and around the areas where it does business.

For Corporate, community development means building an inclusive society by helping improve the wellbeing of the community and enabling them to prosper. Corporate takes pride in being a business with a heart and soul.

There are many ways in which business involves in community development. Those are stated below.

- Assistance for handicapped and other disadvantaged persons.
- Support for air and water pollution control.
- Servicing responsibility for product sold to the local consumer.
- Support of artistic and cultural activities
- Employment and advancement for minorities and women.
- Assistance in urban planning and development.
- Support of local health care program.
- Donation of equipment to local school.
- Support of local bond issues for public improvements.
- Aid to community hospital drive.
- Executive aid for the local united fund.
- Support to can serve scarce resources and prevent pollution.

Corporate Social Responsibility

11/04/2020

Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public. By practicing corporate social responsibility, also called corporate citizenship, companies can be conscious of the kind of impact they are having on all aspects of society, including economic, social, and environmental.

To engage in CSR means that, in the ordinary course of business, a company is operating in ways that enhance society and the environment, instead of contributing negatively to them.

Corporate social responsibility is a broad concept that can take many forms depending on the company and industry. Through CSR programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands.

As important as CSR is for the community, it is equally valuable for a company. CSR activities can help forge a stronger bond between employees and corporations; boost morale; and help both employees and employers feel more connected with the world around them.

For a company to be socially responsible, it first needs to be accountable to itself and its shareholders. Often, companies that adopt CSR programs have grown their business to the point where they can give back to society. Thus, CSR is primarily a strategy of large corporations. Also, the more visible and successful a corporation is, the more responsibility it has to set standards of ethical behavior for its peers, competition, and industry.

Example of Corporate Social Responsibility

Long before its initial public offering (IPO) in 1992, Starbucks was known for its keen sense of corporate social responsibility, and commitment to sustainability and community welfare. According to the company, Starbucks has achieved many of its CSR milestones since it opened its doors. As per its 2018 “Global Social Impact Report,” these milestones include “reaching 99% of ethically sourced coffee, creating a global network of farmers, pioneering green building throughout its stores, contributing millions of hours of community service, and creating a groundbreaking college program for its partner/employees.”

Starbucks’ goals for 2020 and beyond include hiring 10,000 refugees across 75 countries, reducing the environmental impact of its cups, and engaging its employees in environmental leadership. Today there are many socially responsible companies whose brands are known for their CSR programs, such as Ben & Jerry’s ice cream and Everlane, a clothing retailer.

Importance of Corporate Social Responsibility

The notion that discharging corporate social responsibility involves costs and, in turn, reduces profits has proved wrong without doubt. Rather, it has been well established that discharging social responsibility strengthens the corporation's foundation to earn profit not just in the short-run but also in the long- run. Numerous such stories abound in the corporate world.

Johnson & Johnson presents one classical example of how a company puts public welfare ahead of its own interest (profit), especially when the company itself is a victim. 28 September 1982 was a tragic day for Chicago when Johnson & Johnson made Extra Strength Tylenol caused cyanide poisoning and killed many people.

Showing its utmost concern for social welfare, Johnson & Johnson not only cooperated with the efforts to investigate into the incident, but also announced a reward of $ 1, 00,000 for giving information about the culprit.

The Tylenol crisis cost Johnson & Johnson plenty some $ 50 million besides withdrawal of 31 million bottles from the market with a retail value of over $ 100 million. Potentially, the most devastating cost resulted from lost public confidence. Only six weeks after it had withdrawn all Tylenol capsules from the market, the company reintroduced the product in tamper-proof packages, as are used in all of today's pharmaceutical products.

Amazingly, Johnson & Johnson regained 95 per cent of the market share it had before the Tylenol crisis (Waldholz 1982). Johnson & Johnson's this vignette clearly exemplifies how concern for social welfare strengthens an organization's foundation, better call it "Organizational Character" and, in turn, its profit earning capacity. Character is foundation for over all prosperity.

Maruti Udyog Limited (MUL) is another such example that kept social welfare ahead of its interest. In the year 1997, of all the cars sold between January and April, this responsible company recalled about 50,000 of their most popular product, the Maruti 800 passenger cars from the market, because they suspected them to be made of inferior steel. This became a newspaper headlines, as it was the biggest ever recall of cars from the Indian market place. What an excellent example of moral altruism (Singh 2003)?

The logic behind this positive relationship appears to be that social involvement of business provides a number of benefits to it that more than offset its costs. These benefits would include a positive consumer image, a more dedicated and motivated workforce, strong public confidence, social acceptance, and even less interference from regulating agencies.

One way to understand the relevance of corporate social responsibility lies in our ancient teaching of Propkaram Paramam Dharma, i.e., helping others, what the sociologists call, altruism, is the most sacred duty. Performing duty is "Dharma" and "Dharma" is truth.

Truth prevails in its own manifestations and lasts for long. Our past is witness that in all walks of life, at last satyamev jayate, i.e., ultimately truth alone prevails and wins. Cooperate social responsibility is a company's 'dharma' that enables the company to survive and thrive for long.

Just as any untruth is short lived, so is an untruth or unethical business too. There are plethora of corporate examples like Arthur Anderson, Enron, Union Carbide, Harshad Mehta Stock Business and so on confirming that no business can exist and survive without the acceptance and sanction of the society in which it carries out its activities. Without social sanction, business is sure to flounder and perish.

Following are some more justifications in favour of why corporations should discharge social responsibility. Many of these (Mintzerg 1983) tend to be couched in terms of enlightened self- interest, i.e., the corporation takes on social responsibilities insofar as doing so promotes its own self-interest.

1. Corporations perceived as being socially responsible might be rewarded with extra and/or more satisfied customers, whilst perceived irresponsibility may result in rejection or boycott by customers. Pepsi and Coca-Cola experienced such boycott from customers in India in 2007.
2. Research reports that employees are attracted to and even become more committed to corporations that show socially responsible behaviour (Greening and Turban 2000).
3. Corporations that voluntarily commit to social actions and programmes may also forestall legislation and ensure greater corporate independence from government.
4. Making positive contribution through socially responsible behaviour to society might be regarded as a long-term investment in creating an improved and stable business context to do business.

In addition to above business justifications couched in favour of corporate social responsibility, following are some important moral justifications also in favour of Corporate Social Responsibility (CSR):

1. Corporations through their actions cause some social problems like pollution, dirtiness, etc. and hence they have a moral responsibility to solve these problems caused by them and also make efforts to prevent such problems in future.
2. Corporations as social actors use social resources which are often scarce. Hence, they should use these resources in responsible manner for the benefit of the society.
3. Corporate activities of one type or other like providing products and services, employment to workers, and so on and so forth, have social impacts be positive or negative or neutral. Hence, corporations are responsible to own the responsibility of these impacts.

In reality, corporations rely not only on the contributions of shareholders but also of wide constituencies, or say, stakeholders in society such as consumers, suppliers, local communities, etc. Hence, corporations have a duty to take into account the interests and goals of shareholders as well as other stakeholders.

Given the range of justifications in favour of CSR, there has not been any doubt about the need for and significance of socially responsible behaviour exhibited by the corporations.

Social Responsibilities of Business and affects on the Business Environment

01/05/2020

Social responsibility of business implies the obligations of the management of a business enterprise to protect the interests of the society.

According to the concept of social responsibility the objective of managers for taking business decisions is not merely to maximize profits or shareholders' value but also to serve and protect the interests of other members of a society such as workers, consumers and the community as a whole.

Thus, Sachar Committee on Companies and MRTP Acts appointed by Government of India states, "In the development of corporate ethics we have reached a stage where the question of social responsibility of business to the community can no longer be scoffed at or taken lightly. In the environment of modern corporate economic development, the corporate sector no longer functions in isolation. If the plea of the companies that they are performing a social purpose is to be accepted, it can only be judged by the test of social responsiveness shown to the needs of the society".

It may be noted that some Indian sociologists and economists relate the idea of social responsibility of business of the Gandhian concept of trusteeship. According to Mahatma Gandhi, capitalist class owns wealth or capital as trustees of the society. The resources and capital they use for production of goods and services, according to him, should be used not to maximize profits for them but for the larger benefit of the society.

However, in our view, it will be too idealistic to expect that business enterprises will be purely guided by the benefits they confer on the society by their activities. The concept of social responsibility as used in management science is that businesses should maximize their profits subject to their working in a socially responsible manner to promote the interests of the society.

Their business activities should not harm other groups such as consumers, workers, and public at large. Mr. N.R. Narayana, Chairman of Infosys makes the idea of social responsibility of business quite clear when in a conference on corporate social responsibility he said, "Corporate's foremost social responsibility is to create maximum shareholders' value working in a way which is fair to all its stakeholders workers, consumers, the community, government and the environment He further points out."

Working in harmony with the community and environment around us and not cheating our customers and workers we might not gain anything in the short run but in the long term it means greater profits and shareholders' value'

Social Responsibility of Business and Social Contract

It is evident from above, the social responsibility of business implies that a corporate enterprise has to serve interests other than that of common shareholders who, of course, expect that their rate of return, value or wealth should be maximized.

But in today's world the interest of other stakeholders, community and environment must be protected and promoted. Social responsibility of business enterprises to the various stakeholders and society in general is considered to be the result of a social Fig.1. Responsibility of Business Enterprises towards Stakeholders and Society in General contract.

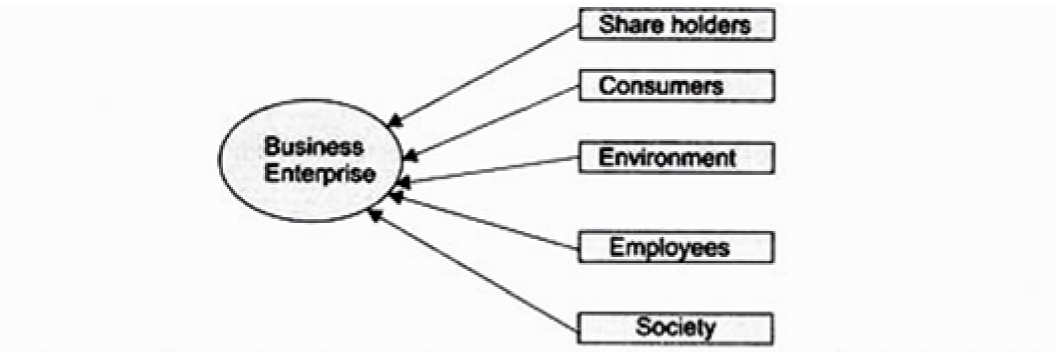


Fig. – 1. *Responsibility of Business Enterprises towards Stakeholders and Society in General.*

Responsibility of Business Enterprises towards Stakeholders and Society in General

Social contract is a set of rules that defines the agreed interrelationship between various elements of a society. The social contract often involves a quid pro quo (i.e. something given in exchange for another). In the social contract, one party to the contract gives something and expects a certain thing or behaviour pattern from the other.

In the present context the social contract is concerned with the relationship of a business enterprise with various stakeholders such as shareholders, employees, consumers, government and society in general. The business enterprises happen to have resources because society consisting of various stakeholders has given them this right and therefore it expects from them to use them to for serving the interests of all of them.

Though all stakeholders including the society in general are affected by the business activities of a corporate enterprise, managers may not acknowledge responsibility to them. Social responsibility of business implies that corporate managers must promote the interests of all stakeholders not merely of shareholders who happen to be the so called owners of the business enterprises.

1. **Responsibility to Shareholders**

In the context of good corporate governance, a corporate enterprise must recognise the rights of shareholders and protect their interests. It should respect shareholders' right to information and respect their right to submit proposals to vote and to ask questions at the annual general body meeting.

The corporate enterprise should observe the best code of conduct in its dealings with the shareholders. However, the corporate Board and management try to increase profits or shareholders' value but in pursuing this objective, they should protect the interests of employees, consumers and other stakeholders. Its special responsibility is that in its efforts to increase profits or shareholders' value it should not pollute the environment.

2. **Responsibility to Employees**

The success of a business enterprise depends to a large extent on the morale of its employees. Employees make valuable contribution to the activities of a business organization. The corporate enterprise should have good and fair employment practices and industrial relations to enhance its productivity. It must recognize the rights of workers or employees to freedom of association and free collective bargaining. Besides, it should not discriminate between various employees.

The most important responsibility of a corporate enterprise towards employees is the payment of fair wages to them and provide healthy and good working conditions. The business enterprises should recognise the need for providing essential labour welfare activities to their employees, especially they should take care of women workers. Besides, the enterprises should make arrangements for proper training and education of the workers to enhance their skills.

However, it may be noted that very few companies in India follow many of the above good practices. While the captains of Indian industries generally complain about low productivity of their employees, little has been done to address their problems. Ajith Nivard Cabraal rightly writes, "It should perhaps be realised that corporations can only be as effective and efficient as its employees and therefore steps should be taken to implement such reforms in a pro-active manner, rather than merely attempting to comply with many labour laws that prevail in the country. This is probably one area where good governance practices could make a significant impact on the country's business environment."

3. **Responsibility to Consumers**

Some economists think that consumer is a king who directs the business enterprises to produce goods and services to satisfy his wants. However, in the modern times this may not be strictly true but the companies must acknowledge their responsibilities to protect their interests in undertaking their productive activities.

Invoking the notion of social contract, the management expert Peter Drucker observes, "The customer is the foundation of a business and keeps it in existence. He alone gives employment. To meet the wants and needs of a consumer, the society entrusts wealth-producing resources to the business enterprise". In view of above, the business enterprises should recognise the rights of consumers and understand their needs and wants and produce goods or services accordingly.

The following responsibilities of business enterprises to consumers are worth mentioning:

- They should supply goods or services to the consumers at reasonable prices and do not try to exploit them by forming cartels. This is more relevant in case of business enterprises producing essential goods such as life-saving drugs, vegetable oil and essential' services such as electricity supply and telephone services.
- They should not supply to the consumers' shoddy and unsafe products which may do harm to them.
- They should provide the consumers the required after-sales services.
- They should not misinform the consumers through inappropriate and misleading advertisements.
- They should make arrangements for proper distribution system of their products so as to ensure that black-marketing and profiteering by traders do not occur.
- They should acknowledge the rights of consumers to be heard and take necessary measures to redress their genuine grievances.

The organized movement to protect consumer rights which is termed as consumerism has been the result of the negligence of business enterprises to their responsibilities to consumers. Besides, due to the indifferent attitude of business enterprises to consumer rights, Government has been compelled to enact Consumer Protection Act to protect consumers' rights and to prevent their exploitation by the businesses.

4. **Obligation towards the Environment**

The foremost responsibility of business enterprises is to ensure that they should not damage the environment and for this purpose they should reduce as much as possible air and water pollution by their productive activities. They should not dump their toxic waste products in rivers and streams to avoid their pollution. Pollution of environment poses a great health hazard for the people and is a cause of several respiratory and skin diseases.

5. **Responsibility to Society in General**

Business enterprises function by public consent with the basic objective of producing goods and services to meet the needs of the society and provide employment to the people. The traditional view is that in performing this function businesses maximize profits or shareholders' value and doing so they do not behave in any socially irresponsible way.

In the present world where there are monopolies, oligopolies in product and factor markets and also there are externalities, especially detrimental externalities such as environment pollution by the activities of business enterprises maximization of private profits does not always lead to the maximization of social benefit.

In fact in such imperfect market conditions, consumers are exploited by raising of prices much above the cost of production, workers are exploited as they are not paid fair wages equal to the value of their marginal product. Besides, there are harmful external effects to which are not given due considerations by private enterprises in making their business decisions. Therefore, there is urgent need to make business enterprises behave in a socially responsible manner and to work for promoting social interests.

In view of the above in the context of modern developments, it is hard to agree with Milton Friedman, a winner of Nobel Prize in economics, who called the idea of corporate social responsibility as a “fundamentally subversive doctrine”. Friedman writes, “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud”.

However, few economists and rational thinkers will subscribe to Friedman’s views like that of Adam Smith. Thus, authors of a noted textbook on management write, “It is true that Friedman sets a rather high standard when he suggests that businesses should operate within the ‘rules of the game’, practicing neither deception nor fraud. The rules of the game obviously include accepted ethical practices, in addition to international, national and other laws. How many corporations are willing to tell the absolute truth in the advertisements and to engage in open and fair competition avoiding collusion, price fixing and so forth. The fact is that few subscribe to Friedman s hard-line views today”.

Expressing the same sentiments, Dr. Manmohan Singh, who has been instrumental in initiating economic reforms promoting liberalization and privatization, in his recent speech while inaugurating the campus of Institute for Studies in Industrial Development on May 1, 2007 said, “I was struck by a comment in the media that most of the billionaires among India’s top business leaders operate in oligopolistic markets and in sectors where the government has conferred special privileges on a few. This sounds like a crony capitalism……. Are we doing enough to protect consumers and small businesses from the consequences of modern capitalism in our country” Later, on May 24, 2007, while giving inaugural address at the Annual Session of CII he urged the captains of Indian industry to break cartels and abstain from greed in their quest for profit maximisation.

To quote him, “The operation of cartels by groups of companies to keep prices high must end. It is unacceptable to obstruct the forces of competition from having free play. It is even more distressing in a country where the poor are severely affected by rising commodity prices. Cartels are a crime and go against the grain of an open economy”. More importantly, he further adds, “Maximization of profits should be within the bounds of decency and greed”.

The above views of Dr. Manmohan singh show that corporate businesses in India do not show any sense of social responsibility and due to oligopolies, informal collusion and other malpractices fleece the customers by charging higher prices in order to maximize their profits. This is clearly refutation of Friedman’s view that profit maximization always implies social responsibility of business.

Business enterprises have a lot of responsibility to the society at large.

We mention below some of them:

1. To take appropriate measures to reduce level of pollution and adopt eco-friendly technologies.
2. To generate sufficient employment opportunities so as to make good contribution to the reduction of poverty in the country.
3. Respect the rights of workers and other employees and take appropriate measures to ensure their safety and to improve their working conditions.
4. To provide quality healthcare to their employees.
5. To invest adequately in the research and development so as to make innovations to improve their productivity.

Dr. Manmohan Singh in the speeches referred to above adds the following social responsibilities of the corporate enterprises in India:

6. Do not pay excessive remuneration to promoters and senior executives as it creates social resentment.
7. To end cartels that keep prices highly
8. To implement affirmative action and to provide jobs to SCs, STs and OBCs. Besides, Dr. Manmohan Singh wants the private corporate sector to give preference to minorities, especially Muslims in providing employment.
9. To resist to pay bribes to officials and therefore do not promote corruption. He thus says, “Corruption need not be the grease that oils wheels of progress. There are many successful companies today that have refused to yield to this temptation. Others must follow”.

Social responsibility is related to the concept of ethics. Ethics is the discipline that deals with moral duties and obligations. Social responsibility implies corporate enterprises should follow business ethics and work for not only to maximize their profits or shareholders’ value but also to promote the interests of other stakeholders and the society as a whole.

Two instances of lack of social responsibility of business witnessed in India are worth mentioning. One refers to Bhopal Gas Leak Tragedy. On Dec. 2,1984 in a pesticide factory located in Bhopal and owned by a multinational corporation ‘Union Carbide Limited (UCL), there was a leakage of poisonous gas from factory which resulted in the death of more than 2000 poor people and about 2 lakh persons were badly injured and crippled.

This was due to the non-installation of safety measures by the company. Union Carbide tried to show that it was not responsible. A long legal battle was fought and ultimately Union Carbide was held responsible by the court and was asked to pay $ 650 millions to the victims as damages.

Another recent case of lack of corporate social responsibility in India and failure of good corporate governance in India is provided by Satyam Saga. Ramalinga Raju, chairman of Satyam Computers Committed fraud running into several thousand crores inflicting heavy losses to the shareholders and lenders of the company. For this criminal act Raju is in Jail and his company has been taken over by Mahindera.

This Satyam fraud raises the question of failure of corporate governance in India, especially the role of independent directors in ensuring good governance of the corporates. The above two examples should serve as a wake-up call for Indian corporate businesses that they should discharge their responsibility to their customers, employees, other stakeholders and society at large.