

# MAN301T: Entrepreneurship & Management functions

Session 12

<https://sites.google.com/a/iiitdm.ac.in/sudhirvs/courses/entrepreneurship-management>



INDIAN INSTITUTE OF INFORMATION TECHNOLOGY,  
DESIGN AND MANUFACTURING,  
KANCHEEPURAM

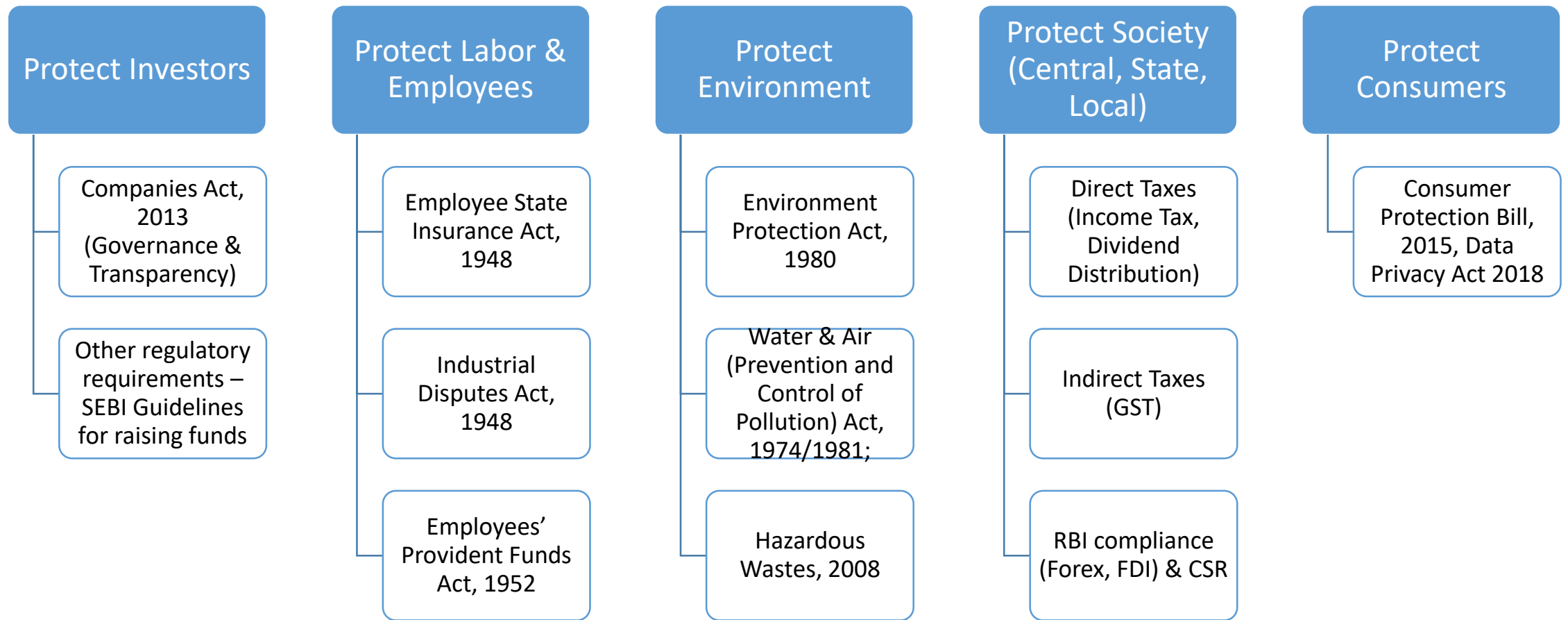
- Sudhir Varadarajan, PhD

# Contents

Regulatory Environment and Compliance

Business Ethics for Self-governance

# Regulatory environment of a business (in India)



# Examples of violation of regulatory principles

- Satyam – Internal Fraud (2009), PNB (2018)
- Sahara Group – Investor Fraud (2012)
- Vedanta Resources – Mining bauxite in Niyamgiri hills, Orissa (2013)
- Nestle Maggi – misleading the consumer (2014)
- 700 Tanneries and Ganga water pollution (2015)
- IT department probing 30,000 cases of alleged tax evasion, Kingfisher (2017)
- Visa, Mastercard, Facebook – Data Privacy (2018)

# Corporate social responsibility (CSR)

- Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large
- The Companies Act, 2013 mandates the constitution of a CSR Committee for companies that exceed
  - Networth of Rs 500 Crore or more
  - Turnover of Rs 1000 Crore or more
  - Net profit of Rs 5 Crore or more

## Activities that can be pursued under CSR

- Eradicating extreme hunger & poverty
- Promotion of education
- Promoting gender equality and empowering women
- Reducing child mortality and improving maternal health
- Combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and others
- Ensuring environment sustainability
- Employment enhancing vocational skills
- Social business projects
- Contributions to Prime Minister Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the SC & ST
- *Promoting non-profit incubation centres*

# Contents

Regulatory Environment and Compliance

Business Ethics for Self-governance

# Compliance versus Business Ethics

- Ethics is a set of moral principles or values that governs the conduct of an individual or a group
- What is lawful conduct is not always ethical conduct
  - The law may permit something that would be ethically wrong
- Business does not operate in a vacuum
  - Decisions made by business have far-reaching effects on society
  - In the past, many business decisions were made solely on a cost-benefit analysis
  - Such decisions may cause negative externalities for others
  - Corporations are considered to owe some degree of social responsibility for their actions

# Typical Ethical Practices

- Corporate values
- Code of ethics (dos and don'ts)
- Governance (Ethics officer)
- Whistle blower Act



# Two lines of thinking in business ethics

- The first one suggests that ethical issues have to be resolved through development of appropriate ethical standards at personal or organizational level ... a functionalist view
- The second one emphasizes the process of developing ethical standards rather than the standards themselves ... an interactionist view
- Implications: Businesses taking up the role of human development that was earlier played by family & religion. Shouldn't schools play a role in shaping it?

