

GOVERNANCE AND ENGINEERS

UNIT 4

Concept of Governance

Governance is the exercise of authority or power in order to manage a country's economic, political and administrative affairs.

The 2009 Global Monitoring Report sees governance as:

- power relationships
- formal and informal processes of formulating policies and allocating resources
- processes of decision making and
- mechanisms for holding governments accountable.

Government comprises the set of legal and political institutions that regulate the relationships among members of a society and between the society and outsiders.

Differences between Governance and Management

GOVERNANCE

- Set the norms, strategic vision and direction and formulate high level goals and policies.
- Oversee management and organizational performance to ensure that organization is working in the best interests of the public.
- Direct and oversee the management to ensure that the organization is achieving the desired outcomes and to ensure that the organization is acting prudently, ethically and legally.

MANAGEMENT

- Run the organization in line with the broad goals and directions set by the governing body.
- Implement the decisions within the context of the mission and strategic vision.
- Make operational decisions and policies, keep the governance bodies informed and educated.

Types of government



Democracy

System of government in which the citizens exercise power directly or elect representatives from among themselves to form a governing body, such as a parliament.

Democracy is sometimes referred to as rule of the majority.

Examples: India, Japan, USA, France, Australia.

According to political scientist Robert Dahl, the democratic idea is based on two principles:

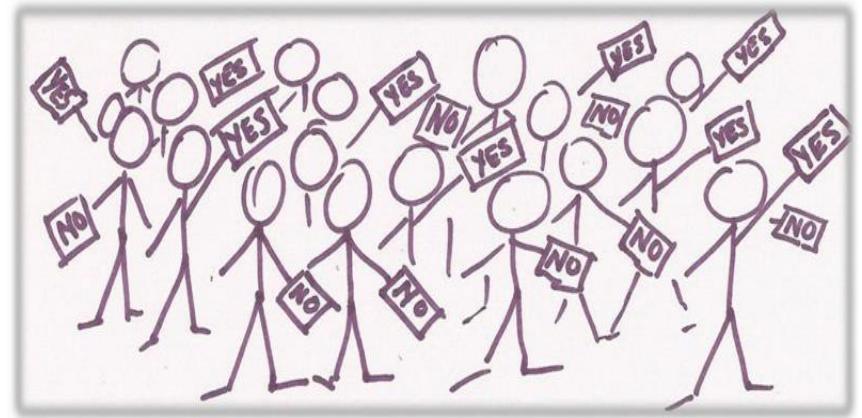
- **POLITICAL PARTICIPATION**: requires that all the people who are eligible to vote can vote.
- **POLITICAL CONTESTATION**: refers to the ability of the people to express their discontent through freedom of speech and press.

Features of Democracy

- A political system for choosing and replacing the government through free and fair elections.
- The active participation of the people as citizens in politics and civic life.
- Protection of the human rights of all citizens.
- A rule of law, in which the laws and procedures apply equally to all citizens.

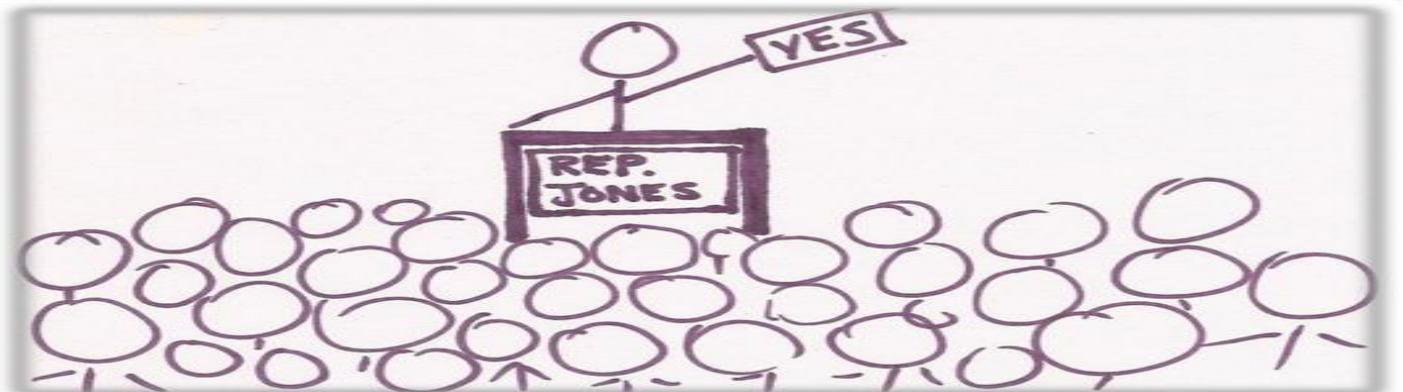
Types of Democracy

- ❖ Direct Democracy: The power of gov't is controlled directly by the people
- ❖ Example New England Town Meetings



Representative Democracy:

- ❖ Through the electoral process, one person or a group of people are elected and assigned with the task of making decisions on behalf of the group of citizens that they represent. Example
- ❖ The United States
- ❖ India



Models of Democracy

- **DELEGATE MODEL:** it is the responsibility of the elected representative to carry out the wishes of the constituency, even if it harms them.
- **TRUSTEE MODEL:** some argue that politicians are specialists who understand the intricacies and implications of policies more than their constituents ever could, so in some circumstances, political leaders should be given the benefit of the doubt.

Systems of Democracy

Two subcomponents of the representative type:

- PARLIAMENTARY SYSTEM e.g. Germany, UK
- PRESIDENTIAL SYSTEM e.g. America
- MIXED SYSTEM

The factors that distinguish one system from another are:

1. electoral procedure
2. distribution of power between the executive and the parliament
3. role of the political parties

Monarchy

A form of government in which a group, usually a family called the dynasty, embodies the country's national identity and one of its members, called the monarch, exercises a role of sovereignty.

e.g. Saudi Arabia

FEATURES:

The actual power of the monarch may vary from

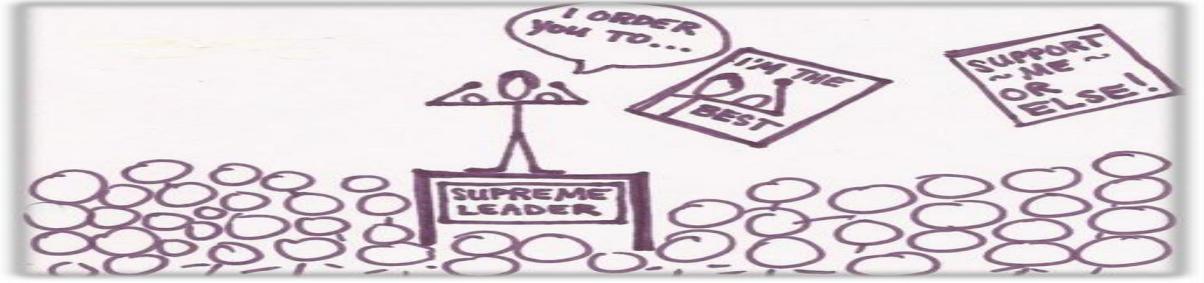
- purely symbolic – CROWNED REPUBLIC
- to partial and restricted – CONSTITUTIONAL MONARCHY e.g. UK



- to completely autocratic – ABSOLUTE MONARCHY
e.g. king of Saudi Arabia



Dictatorship



Form of government where a country is ruled by one person or political entity.

e.g. North Korea under Kim Jong

Dictators usually come to power through some kind of violent struggle, rather than the peaceful passage of power.

FEATURES:

- It comes into existence by force.
- Nearly every aspect of the public and private behavior of citizens is regulated.
- Such systems generally employ political propaganda to decrease the influence of proponents of alternative governing systems.
- Characterized by arbitrary, unaccountable and irresponsible role of the dictator.

Theocracy

Form of Government in which God or deity is recognized as the king or immediate ruler.

In a pure theocracy, the civil leader is believed to have a personal connection with the civilization's religion or belief.



- Description
 - The leaders of gov't are also the leaders of the religion
- Example
 - The Vatican & Iran

Anarchy

❖ Description

- ❖ **No gov't and no laws**
- ❖ Total disorder

❖ Example

- ❖ **Usually comes from gov't failure, overthrown**





Politics of India

Republic of India

- A federal republic with a parliamentary system of government
- capital: New Delhi

India is a Sovereign Socialist Secular Democratic Republic with a Parliamentary form of government which is federal in structure with unitary features. There is a Council of Ministers with the Prime Minister as its head to advise the President who is the constitutional head of the country.

The **Government of India** is the [national government](#) of the [Republic of India](#), a federal democracy located in [South Asia](#), consisting of 28 union states and eight union territories. Under the [Constitution](#), there are three primary branches of government: the legislative, the executive and the judiciary, whose powers are vested in a [bicameral Parliament](#), [President](#), aided by the [Council of Ministers](#), and the [Supreme Court](#) respectively.

A federal system

- ❖ Relatively centralized
 - **federal government controls the most essential government functions**
 - : ❖ defense
 - : ❖ foreign policy
 - : ❖ taxation
 - : ❖ public expenditures
 - : ❖ economic (industrial) planning
 - ❖ state governments formally control
 - : ❖ agriculture
 - : ❖ education
 - : ❖ law and order within states
 - dependent on central government for funds

Parallel state structure

- Formal political structure of the states parallels that of the national government
 - | national | state |
|----------------|----------------|
| President | Governor |
| Prime Minister | Chief Minister |
| Parliament | Assembly |
| Supreme Court | High Court |

The legislature

❖ Parliamentary system of government

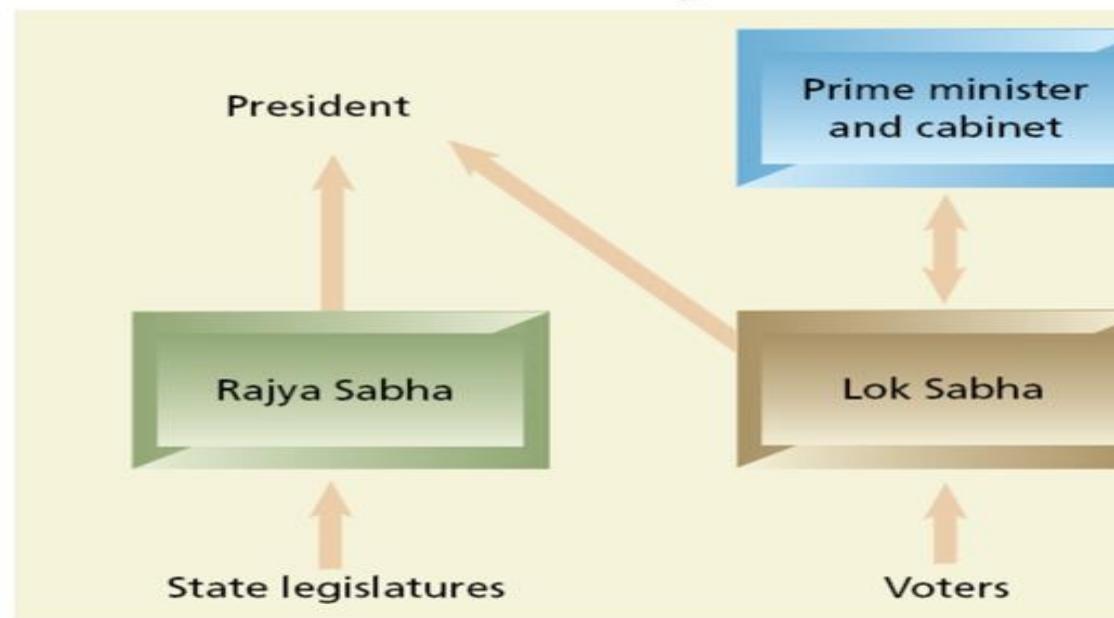
- the executive authority is responsible to the Parliament

❖ bicameral Parliament

- . ❖ Rajya Sabha (Council of States)
❖ Lok Sabha (House of the People)



■ FIGURE 12.2 Decision Making in India



Rajya Sabha (Council of States)

- The Upper House
- not more than 250 members
 - 12 are nominated by the President of India
 - the rest are indirectly elected
 - by state Legislative Assemblies
- The Council of States can not be dissolved
 - members have terms of 6 years
 - 1/3 members retire at end of every 2nd year

Lok Sabha

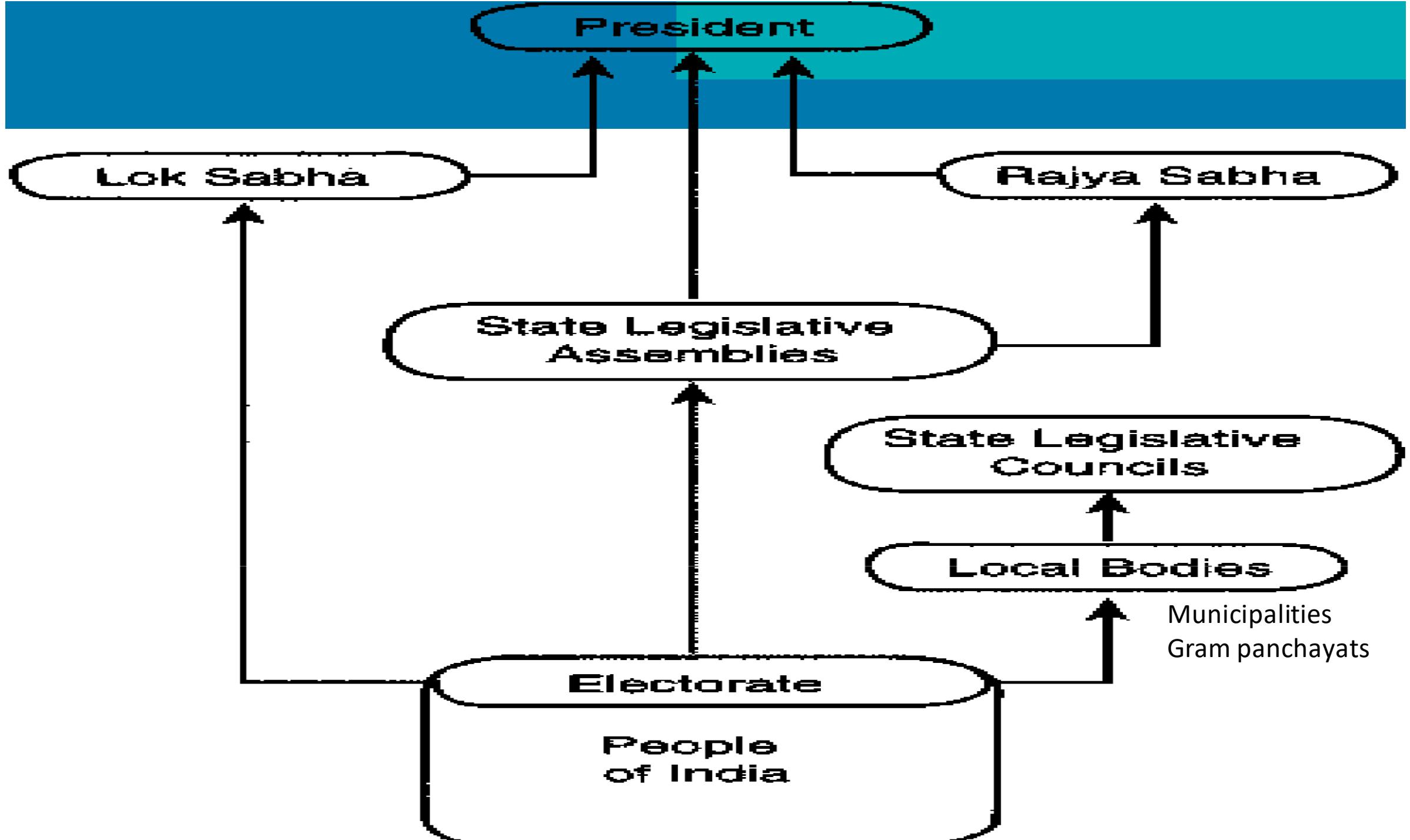
- House of the People
 - 545 members
 - 2 are appointed by the President of India
 - the rest are directly elected from single-member districts
 - 5-year terms unless dissolved
 - Lok Sabha elects its presiding officer
- the Speaker
 - Elections held at least every 5 years
 - Prime Minister may call elections earlier
 - 543 single-member districts of roughly equal population
 - party nomination

Prime Minister

- ❖ Leader of the majority party leader in Lok Sabha becomes the prime minister
- ❖ prime minister nominates a cabinet
 - ❖ members of Parliament in the ruling coalition
 - ❖ Council of Ministers
- ❖ effective power is concentrated in the office of the prime minister
 - ❖ where most of the important policies originate

The President of India

- ❖ Head of the State
- ❖ Commander-in-Chief of the armed forces
- ❖ elected by an electoral college
 - .. ❖ national Parliament
 - .. ❖ state legislature
- ❖ 5-year terms
 - can be reelected



Political Party

A political party is generally described as an organized body of people who share common principles and cherish certain common goals regarding the political system.

A political party operates and seeks political power through constitutional means to translate its policies into practice.

CHARACTERISTICS:

1. it is an organized group of people.
2. These people believe in common principles and common goals.
3. Its objectives revolve around seeking political power through collective efforts.
4. It employs constitutional and peaceful methods in seeking control over the government through elections.
5. While in power, it translates its declared objectives into government policies.

The Judiciary

- ❖ “The judiciary is the system of courts that interprets, defends and applies the law in the name of the state”.
- ❖ It can be thought of as the mechanism for the resolution of disputes.
- ❖ Under the doctrine of the separation of powers, the judiciary generally does not make statutory law (which is the responsibility of the legislature) or enforce law (which is the responsibility of the executive), but rather interprets law, defends and applies it to the facts of each case.
- ❖ **There is**
 - principle of parliamentary sovereignty
 - principle of judicial review.
- ❖ **judiciary tries to preserve the constitution's basic structure.**
- ❖ to ensure that legislation conforms with the intent of the constitution.
- ❖ parliament tries to assert its right to amend the constitution.

ECONOMIC SYSTEM

It is a mechanism which deals with the production, distribution and consumption of goods and services in a particular society.

It is composed of:

- people
- institutions and
- their relationships

The purpose of every economy is to satisfy human wants by using limited or scarce resources available and known to a society. These wants can be satisfied by production and consumption of goods and services.

These economic activities bring income to the economic agents that can either be consumed or saved and invested.

Factors of Production

They work as a unit and the removal of any of them will bring production to a halt.

1. Land
2. Labor
3. Capital
4. Entrepreneur

Salient Features of an Economy

- Economic institutions are man made.
- Economic institutions can be created, destroyed, replaced or changed.
- Levels of economic activities keep on changing.
- Producers and consumers are the same persons.
- Production, consumption and investment are the vital processes of an economy.
- In modern complex economies we use money as a medium of exchange.
- Now a days the government intervention in the economy is considered undesirable.

Types of Economies

Resources or means of production remain either in private ownership with full individual freedom to use them for the profit motive or they can be in collective ownership (government control) and can be used for the collective welfare of the society as a whole.

Based on the criterion of degree of individual freedom and profit motive, economies are labelled as:

1. Capitalist or free enterprise economy
2. Socialist or centrally planned economy
3. Mixed economy

CAPITALISM

- ❖ Capitalism is an economic system based on **PRIVATE OWNERSHIP** of the means of production and on **INDIVIDUAL ECONOMIC FREEDOM**
- ❖ *Growth of towns and cities and the expansion of trade in the late Middle Ages sparked this economic development*
- **Three Main Features :**
 1. Private Ownership
 - 2. Profit motive
 - 3. Market Economy

CAPITALISM

1. Private Ownership: Capital belongs to individuals who are FREE to do what they wish with it. For this reason, capitalism is also called the “free-enterprise” system



CAPITALISM

2. Profit Motive: based on the economic laws of supply and demand, when enough people want something, producers make it because they want a PROFIT



CAPITALISM

3. Market Economy: a money value can be placed on everything in the marketplace:

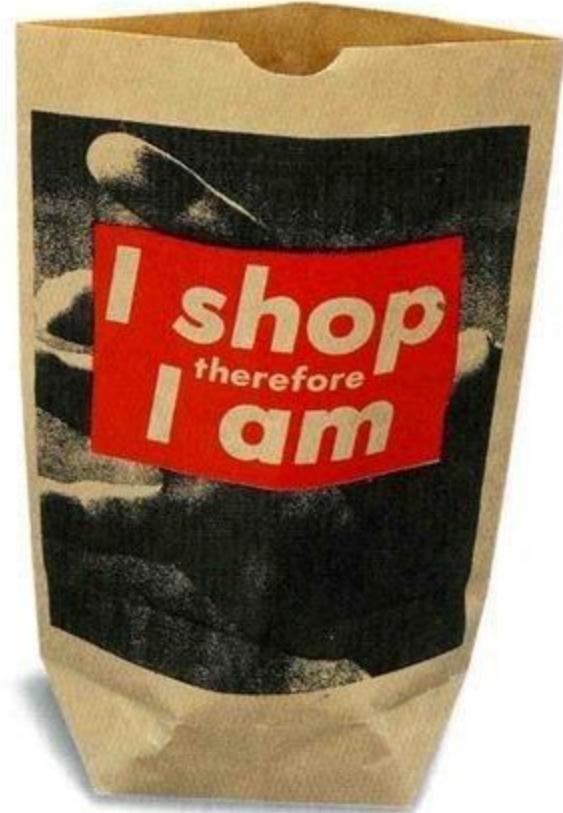
land,

goods,

time and

labor.

Buyers and sellers are free to exchange goods and services at prices determined by..... “SUPPLY and DEMAND”



THERE IS

- **FREE COMPETITION:**

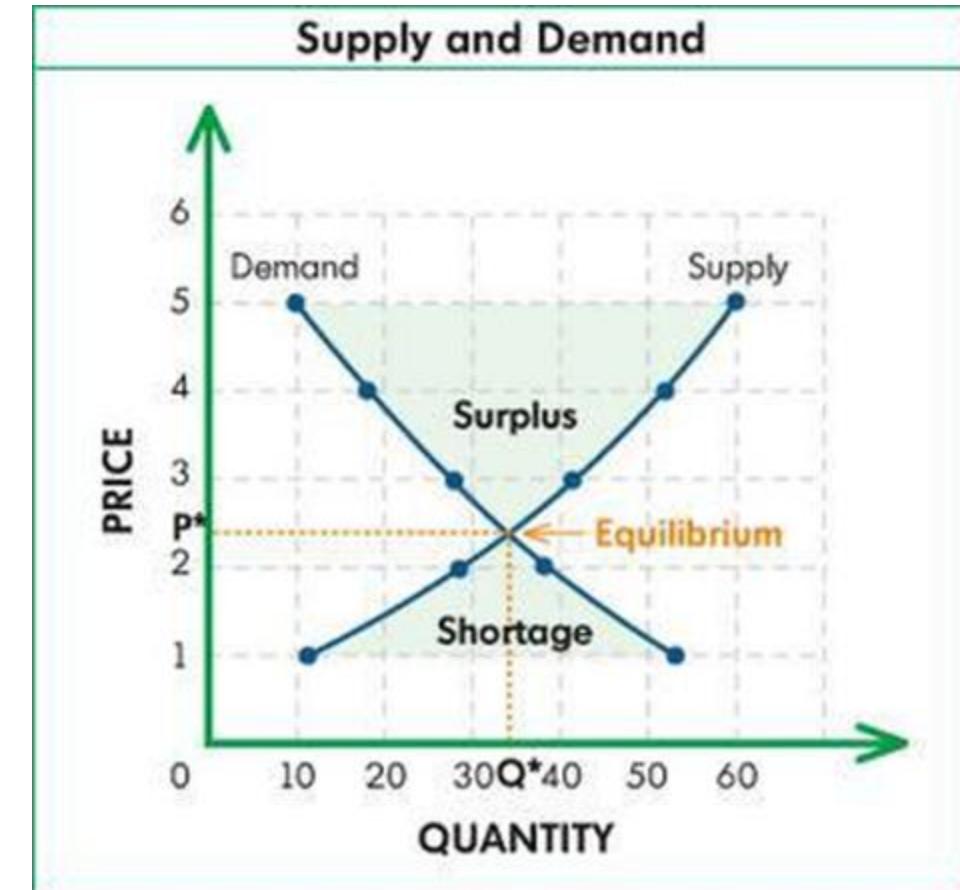
Prices will be kept as low as possible because consumers will seek the best product for the least amount of money.

- **SUPPLY AND DEMAND:**

In a capitalist system prices are determined by how many products there are and how many people want them. When supplies increases, prices tend to drop. If prices drop, demand usually increases until supplies run out. Then prices will rise once more, but only as long as demand is high. These laws of supply and demand work in a cycle to control prices and keep them from getting too high or too low.

Q: Why does a DEMAND curve always slope downward?

Answer: The demand curve always slopes downward because as more of an item becomes available, the lower the price



CAPITALIST ECONOMY

It is the oldest form of economy. They advocated minimum govt intervention in the economic activities.

MAIN FEATURES:

1. **Private Property-** there is no restriction on ownership of land, machines and to earn profit and accumulate wealth. After the death of a person the property is transferred to the legal heirs.
2. **Freedom of Enterprise-** govt does not coordinate production decisions of the citizens. Individuals are free to choose any occupation.
3. **Consumer's Sovereignty**
4. **Profit Motive**
5. **Competition-** there are no restrictions on the entry and exit of firms. There are a large number of producers to supply a particular good or service , so no firm can earn more than normal profit.
6. **Importance of Markets and Prices**
7. **Absence of Govt Interference**

SOCIALIST ECONOMY

In the socialist or centrally planned economies all the productive resources are owned and controlled by the govt in the overall interest of the society. A central planning authority takes the decisions.

MAIN FEATURES:

1. Collective ownership of means of production
2. Social welfare objective
3. Central planning economic planning: it keeps the national priorities and availability of resources in mind.
4. Reduction in inequalities
5. No class conflict: every person is a worker, so there is no class conflict.

BASIS OF DIFFERENCE	CAPITALIST ECONOMY	SOCIALIST ECONOMY
Resources Ownership	Privately owned	State owned
Foundation belief	competition brings out the best in people	cooperation is the best way for people to coexist
Earning of wealth	everyone works for his own wealth	everyone works for wealth which is distributed equally to everyone
Market Scenario	Level playing field	Protection to PSUs, Private enterprises are permitted in few businesses only
Govt. interference	Only in situations where laws have been broken	Fully involved
Employees motivation	Highly motivated on account of proportional benefits	Rarely motivated as performance is not rewarded
Merit	Perception of better economic growth because of competition	Equal distribution of income results in welfare of all
Demerit	Few individuals/groups attain powers, rest are exploited	Hard work is not rewarded, lazy employees also enjoy equal level of benefits

MIXED ECONOMY

Any economy in which private corporate enterprises and public sector enterprises exist side-by-side, and decisions taken through market mechanism are supplemented by some form of partial planning, is to be described as a mixed economy.

FEATURES

- Co existence of public and private sectors
- Individual freedom: but producers are not given the freedom to exploit consumers and laborers.
- Economic planning: the private sector is provided encouragement, incentives, support and subsidies to work as per national priorities.
- Price mechanism: for those who cannot afford to purchase the goods at market prices, govt makes the goods available either free of cost or at below market prices. So people enjoy individual freedom and govt support to protect the interests of weaker sections of the society.

Communism

- ❑ A political and economic system in which the government controls all business.
- ❑ Individual people cannot own property or industries and in theory, people of all social classes are treated equally.
- ❑ Communist countries have totalitarian governments.
- ❑ All communists are socialists, but not all socialists are communists.
- ❑ Provides a clear demarcation of the boundaries of public sector and private sector so that the core sector and strategic sectors are invariably in the public sector.
- ❑ The government intervenes to prevent undue concentration of economic power, and monopolistic and restrictive trade practices.
- ❑ The rights of the individual are respected and protected subject only to the requirements of public law and order and morality.

DIFFERENCES BETWEEN COMMUNISM, CAPITALISM AND SOCIALISM

COMMUNISM	CAPITALISM	SOCIALISM
No Private Ownership	Total Private Ownership	Limited Private Ownership
Central Government	Market Forces	Government and Private Entities
No Class Distinction	Class Distinction	Limited Class Distinction
Production for Basic Needs	Production for Profit	Production for Societal Needs
Karl Marx	Adam Smith	Charles Fourier

Utilitarianism

- **Utilitarianism**- idea that society should aim to produce the greatest good for the greatest number of people
- Government involvement might be needed to make sure this happens . . .
- Based on the **Principle of Utility** :
 - an action is "right" if it produces more of an increase in happiness for all affected by it than any alternative action, and wrong if it does not".
- In other words . . . *Pleasure* and *happiness* are intrinsically valuable, while *pain* and *suffering* are not .
 - . . .
- Things have value to society only if they cause more happiness than suffering.

MARXISM

- Marxism is a social, political, and economic theory originated by Karl Marx that focuses on the struggle between capitalists and the working class.
- Marx wrote that the power relationships between capitalists and workers were inherently exploitative and would inevitably create class conflict.
- He believed that this conflict would ultimately lead to a revolution in which the working class would overthrow the capitalist class and seize control of the economy.

Marxism and Neo Marxism

Marxism: Marxism is based on the writings of Karl Marx, he argued that society was shaped by the economy and it is a conflict based perspective.

Neo Marxism: Neo Marxist have developed the ideas of Marx but took into account the changes that occurred in the 20th century. Rather than only considering class, they also consider the role of ideas and culture.

TYPES OF ECONOMICS ON THE BASIS OF LEVEL OF DEVELOPMENT

- **DEVELOPED ECONOMY**
- **DEVELOPING ECONOMY**

The countries are labeled developed or rich and developing or poor on the basis of real national and per capita income and standard of living of its population.

Developed Countries

These have :

- Higher national and per capita income
- High rate of capital formation i.e. high savings and investment
- Highly educated human resources
- Better civic facilities
- Better health and sanitation facilities
- Low birth rate
- Low death rate
- Low infant mortality
- Developed industrial and social infrastructures
- Strong financial and capital market

Developing Countries

- These are low on the ladder of development.
- They are sometimes also called **underdeveloped, backward or poor countries.**
- The national and per capita income is low.
- They have backward agricultural and industrial sectors with low savings, investment and capital formation.

Economic Growth and Development

ECONOMIC GROWTH is a sustained increase in national income.

ECONOMIC DEVELOPMENT includes not only economic growth but also various other economic changes that improve the quality of life or standard of living of people in a country.

Some important institutions like **UNESCO** and **ILO** include the basic needs approach such as availability of food, clothing and shelter, availability of drinking water, sanitation and public transport facilities, good health and education as an index of economic development.

The United Nations Development Programs emphasizes on **Human Development Index (HDI)** that is based on per capita income, educational attainment and life expectancy. Thus it is a composite index of economic and social indicators.

Determinants of Economic Development

ECONOMIC FACTORS

- **Natural Resources:** quality and quantity of natural resources affect the rate of growth.
- **Human Resources:** educated and technically qualified manpower helps in achieving higher growth rate.
- **Capital Formation:** rate of savings must be high.
- **Technology:** depends on continuous research and development.

NON-ECONOMIC FACTORS

- **Caste System**
- **Family Type**
- **Racial Factors**
- **Government Policies**

Engineering and Corporate Social Responsibility

UNIT 5

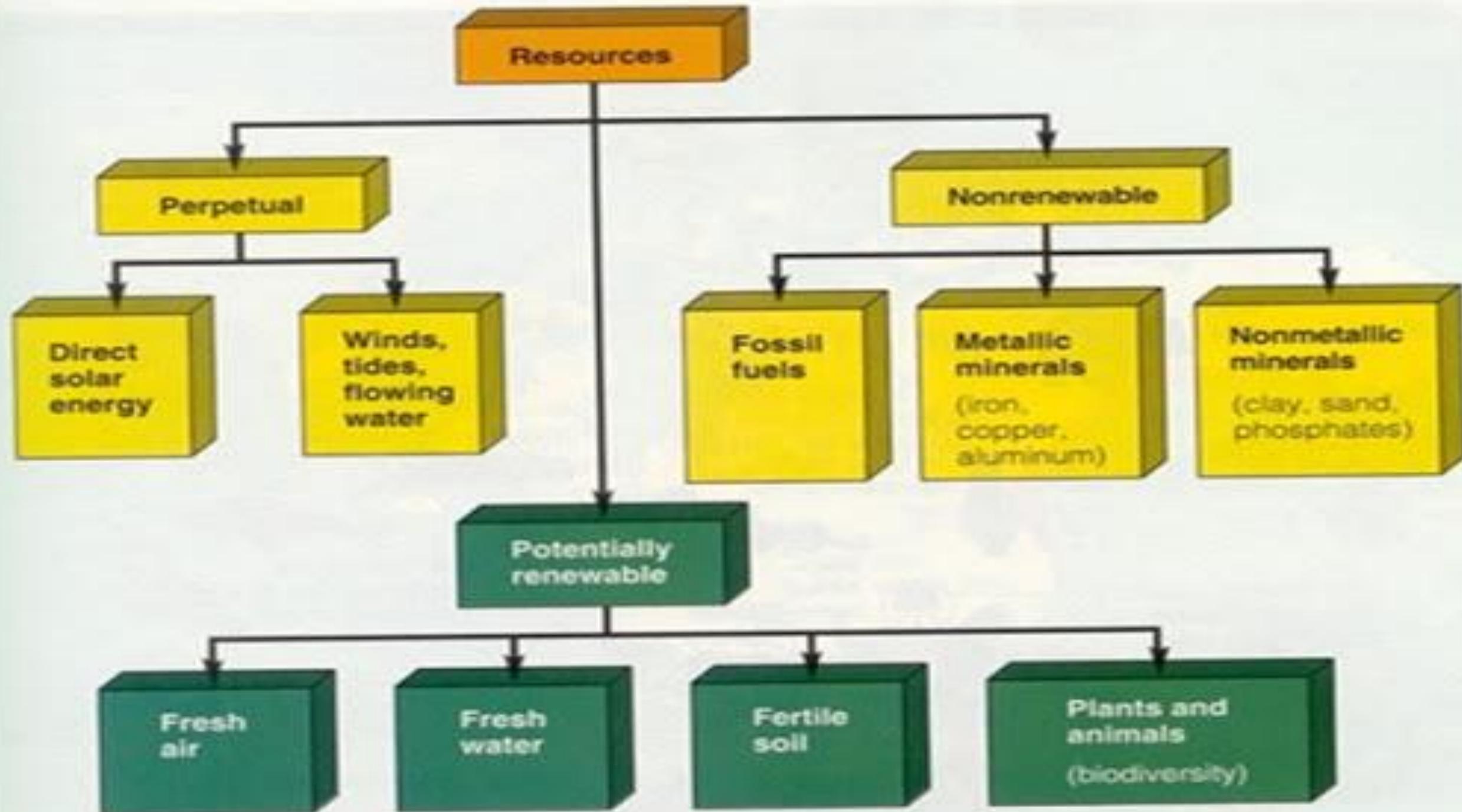
Natural Resources

❖ **Natural resources** are the substances that are supplied by nature and needed for survival.

- - ❖ Include air, water, soil, sun, plants, animals, and *fossil fuels* (coal, oil, and natural gas).
 - Many natural resources are limited in supply and cannot be renewed.

❖ **Pollution** is the action or process of making natural resources unsafe or unusable.

- - ❖ Smoke and exhaust causes the air to become dirty and harmful to breathe.
 - - ❖ Waste dumped into waterways harms fish and animals.
 - ❖ Nuclear waste can pollute air, water, and soil.



Atmosphere

- Oxygen for human respiration (metabolic requirements).
- Oxygen for wild fauna in natural ecosystems and domestic animals used by man as food.
- Oxygen as a part of carbon dioxide, used for the growth of plants (in turn are used by man).

The atmosphere forms a protective shell over the earth.

The lowest layer, the **troposphere**, the only part warm enough for us to survive in, is only 12 kilometers thick.

The **stratosphere** is 50 kilometers thick and contains a layer of sulphates which is important for the formation of rain. It also contains a layer of **ozone**, which absorbs ultra-violet light known to cause cancer and without which, no life could exist on earth.

The atmosphere is not uniformly warmed by the sun. This leads to air flows and variations in climate, temperature and rainfall in different parts of the earth. It is a **complex dynamic system**. If its nature is disrupted it affects all mankind.

To continue to support life, air must be kept clean.

- . The buildup of carbon dioxide which is known as '**greenhouse effect**' in the atmosphere is leading to current global warming.
- Air pollution leads to **acute and chronic respiratory diseases** such as various lung infections, asthma and even cancer.

Hydrosphere

- Clean water for drinking (a metabolic requirement for living processes).
- Water for washing and cooking.
- Water used in agriculture and industry.
- Food resources from the sea, including fish, crustacea, sea weed, etc.
- Food from fresh water sources, including fish, crustacea and aquatic plants.
- Water flowing down from mountain ranges harnessed to generate electricity in hydroelectric projects.

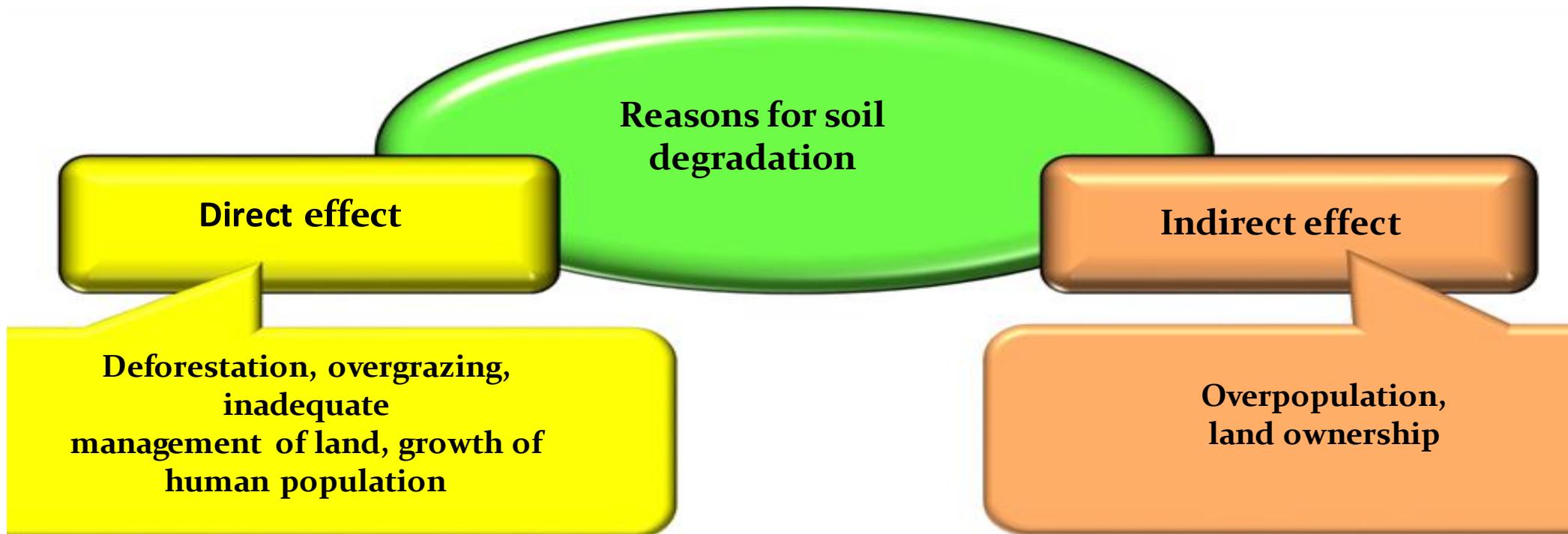
Lithosphere

- Soil, the basis for agriculture to provide us with food.
- Stone, sand and gravel, used for construction.
- Micronutrients in soil, essential for plant growth.
- Microscopic flora, small soil fauna and fungi in soil, important living organisms of the lithosphere, which break down plant litter as well as animal wastes to provide nutrients for plants.
- A large number of minerals on which our industries are based.
- Oil, coal and gas, extracted from underground sources. It provides power for vehicles, agricultural machinery, industry and for our homes.

Soil resources

One of the most important renewable natural resources is soil – the biologically active upper layer of land with a unique property – **fertility**.

To provide the world's population with food, it is imperative that land degradation be reduced.



Biosphere

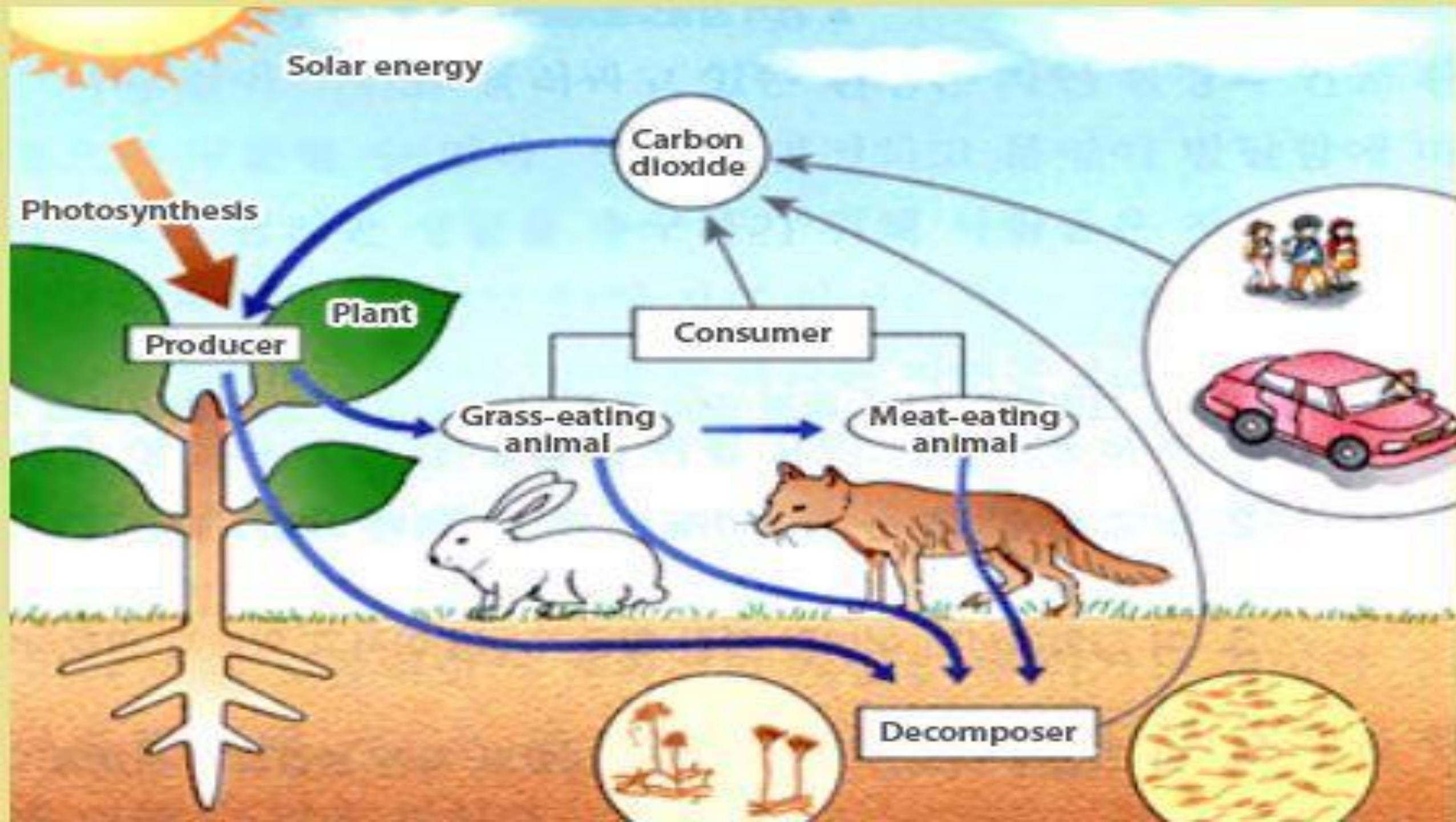
- Food, from crops and domestic animals, providing human metabolic requirements.
- Food, for all forms of life which live as interdependent species in a community and form food chains in nature on which man is dependent.
- Energy needs: Biomass fuel wood collected from forests and plantations, along with other forms of organic matter, used as a source of energy.
- Timber and other construction materials.

This is the relatively thin layer on the earth in which life can exist.

Ecosystem

An **ecosystem** is a community of living organisms in conjunction with the nonliving components of their environment, interacting as a system. These biotic and abiotic components are linked together through nutrient cycles and energy flows.

Energy enters the system through photosynthesis and is incorporated into plant tissue. By feeding on plants and on one another, animals play an important role in the movement of matter and energy through the system.



Ecology

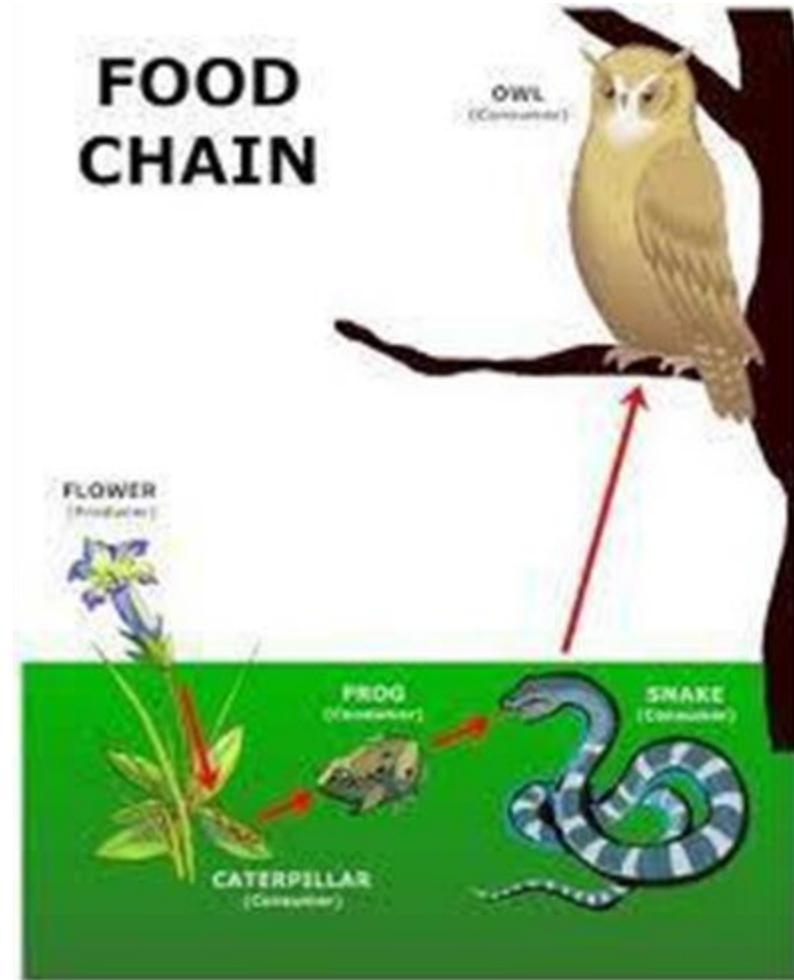
- ❖ Ecology is the study of all living things in relation to each other and the environment.
- - ❖ Helps people to better understand the environment.
 - ❖ Teaches people how to protect it.

Environment

- ❖ The surroundings in which a person, animal, or plant lives. the natural world of land, sea, air, plants, and animals.
- What happens to the environment affects all living things.

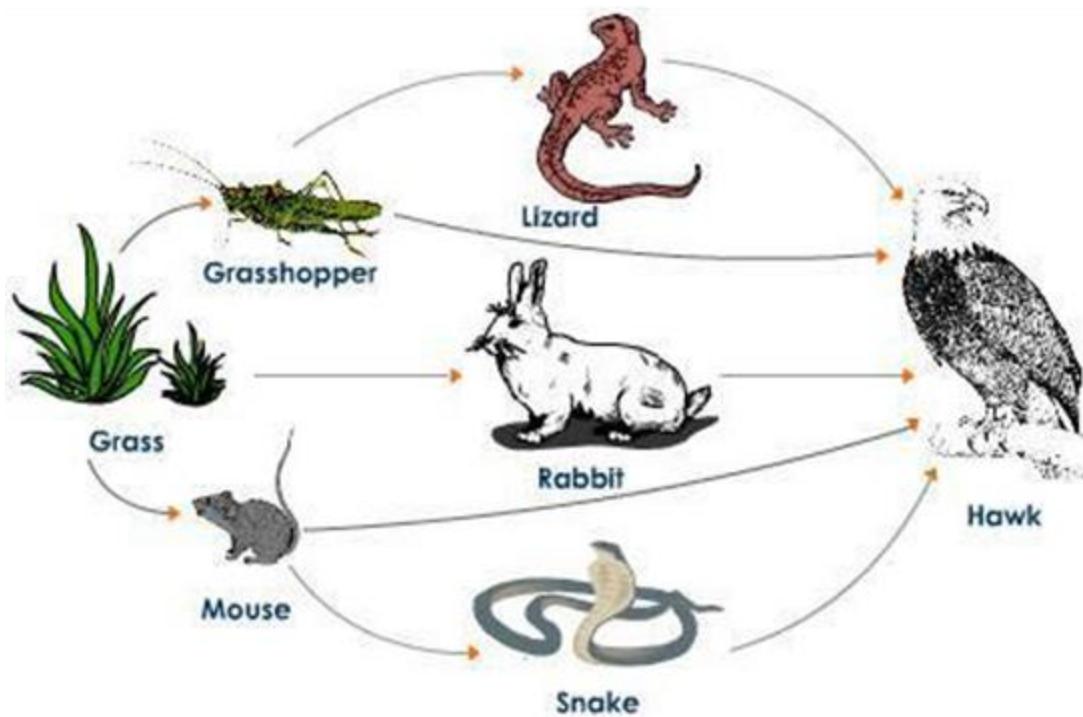
Food Chain

- A food chain shows the flow of energy between the organisms in environment.



Food Web

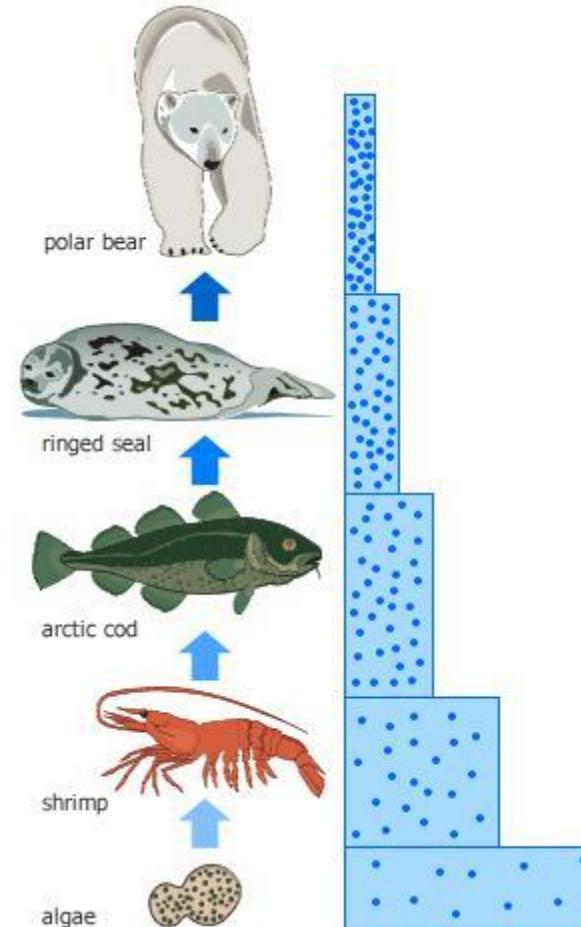
- Food web is put many food chain in one ecosystem.



A Food Web In a Grassland Ecosystem With Five Possible Food Chains

Bioaccumulation

The buildup of toxins in top consumers after eating many smaller organisms in a food web.



VALUE OF THE ENVIRONMENTAL RESOURCES

- To convert the aggregate natural resources that are used or can be used for producing various goods into monetary value, economists use the notion
 - ‘natural capital’.
-

Direct profit



Logging

Indirect profit



Tourism

Pollution:

- Agricultural
 - DDT
 - Fertilizers
- Animal wastes (nitrogen)
- Homes
 - Strong cleaning agents
- Industry
 - Toxic gases and wastes
 - Acid rain

Causes of Environmental Problems



Population
growth



Unsustainable
resource use



Poverty



Excluding
environmental costs
from market prices



Trying to manage nature
without knowing enough
about it

The need for sustainable lifestyles:

The quality of human life and the quality of ecosystems on earth are indicators of the sustainable use of resources.

There are clear indicators of sustainable lifestyles in human life.

- Increased longevity
- An increase in knowledge
- An enhancement of income.

These three together are known as the '**Human development index**'.

The quality of the ecosystems have indicators that are more difficult to assess.

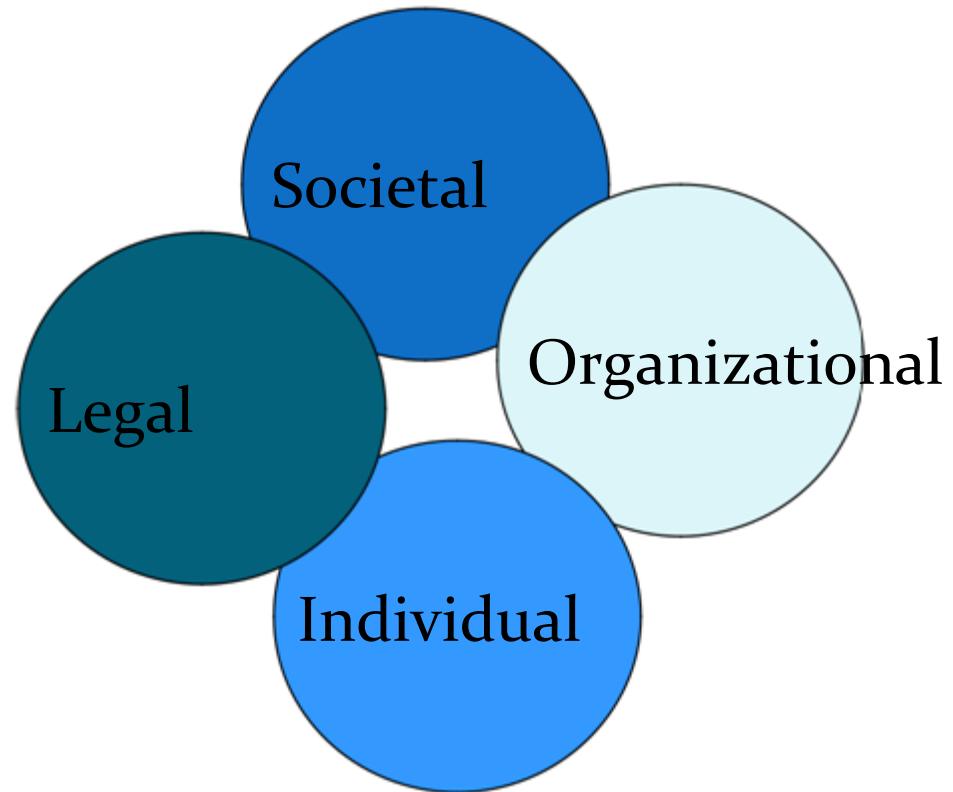
- A stabilized population.
- The long term conservation of biodiversity.
- The careful long-term use of natural resources.
- The prevention of degradation and pollution of the environment.

Ethics:

- *A set of rules and values that define right and wrong conduct.*
- They indicate when behavior is acceptable and when it is unacceptable



Ethical Perspectives for Evaluating Behavior



Societal Perspective

- Societal Ethics – standards that govern how members of a society are to deal with each other on issues of fairness, justice, poverty, and individual rights.
- - The idea of what is ethical behavior is largely influenced by the society in which the behavior occurs.
- Various public opinion surveys suggest a growing disenchantment with the lack of ethical behavior



Legal Perspective

- *Laws:* society's values and standards that are enforceable in the courts.
- *Employment-at-will:* a traditional common-law concept holding that employers are free to discharge employees for any reason at any time and that employees are free to quit their jobs for any reason at any time.

Organizational Perspective

- To provide guidance for employees, an organization can define ethical and unethical behaviors.
- Organizations can also guide employee actions both formally and informally.

Individual Perspective

- Despite prevalent societal, legal, and organizational interpretations of what is ethical, individuals have their own values and a sense of what is right or wrong.
- Lawrence Kohlberg
 - Suggested people develop morally, much as they do physically, from early childhood to adulthood.
 - As they develop, their ethical criteria and patterns of moral reasoning go through **stages of moral development**

CORPORATE SOCIAL RESPONSIBILITY

It can be described as the continuous commitment by corporations towards the economic and social development of society in which they operate.

It is more of a social obligation as to how the corporate relate to their

- customers,
- employees,
- suppliers,
- society and
- also towards the environment from which they use various resources for their profits.

Four Pillars of Corporate Sustainability Concept

According to Wilson (2003) Corporate Sustainability¹ includes:

- Sustainable development
- Corporate Social Responsibility
- Stakeholder Theory

Accountability

Key Issues in CSR



Labour rights:

child labour

- forced labour
- right to organise
- safety and health

- **Environmental conditions**

- water & air emissions
- climate change

- **Human rights**

- **Poverty Alleviation**

- job creation
- public revenues
- skills and technology

Need for Corporate Social Responsibility

- To reduce the social cost.
- To enhance the performance of employees.
- It a type of investment.
- It leads to industrial peace.
- It improves the public image.
- Can generate more profit.
- To provide moral justification.
- It satisfies the stakeholders.
- Helps to avoid government regulations & control.
- Enhance the health by non polluting measures.

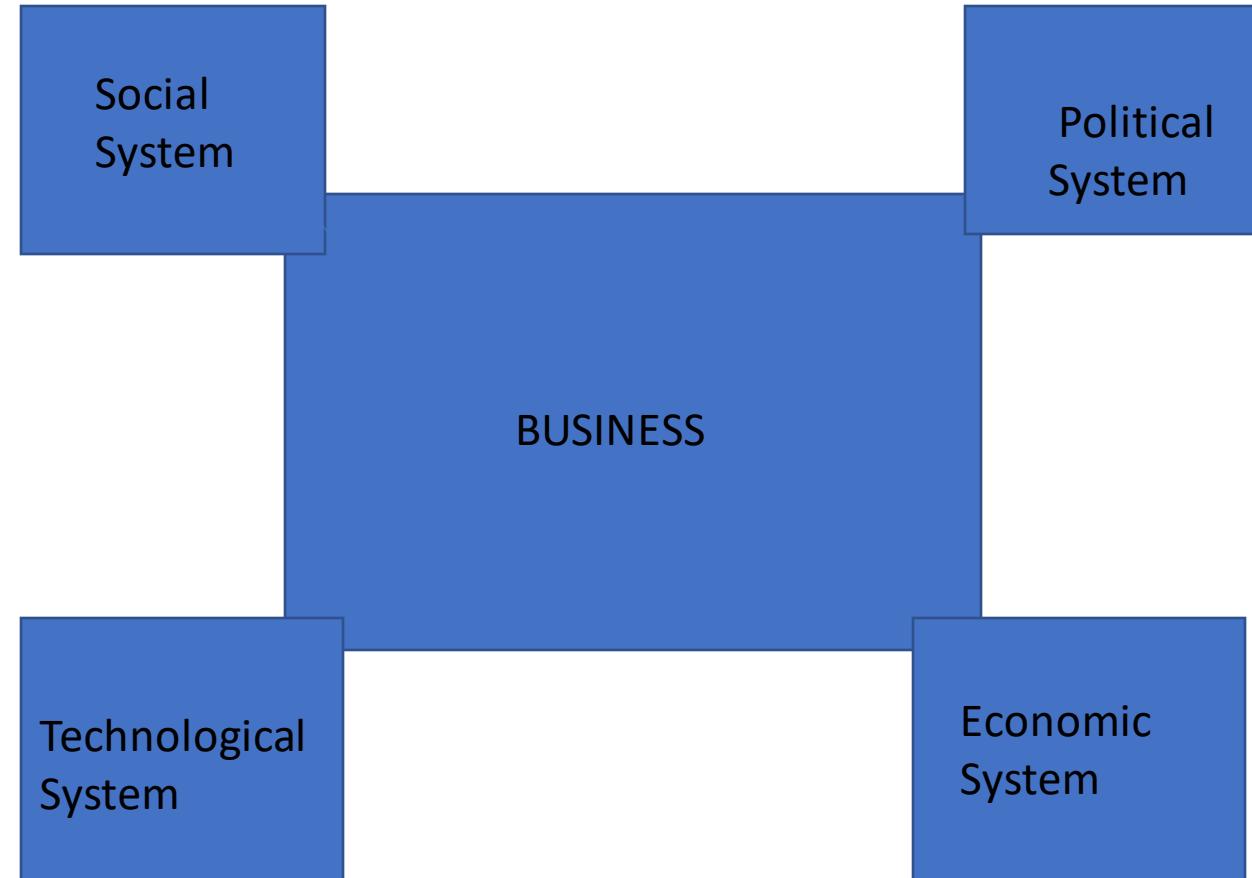
Business and Social Responsibility

Business plays a significant role in

- economic,
- social,
- political and
- technological affairs.

So business owes responsibility to all segments of society.

The wealth of a country is to a great extent controlled by business. This gives business and its executives “**enormous power**” to affect the lives of employees, consumers, shareholders, etc.



CORPORATE SOCIAL RESPONSIBILITY THEORIES AND MODELS

- The Stakeholder Theory
- The Archie Carroll Model
- Ackerman's Model

The Stakeholder Theory

Stakeholders are “any group or individual who can affect or is affected by the achievement of a corporation’s purpose”.

2 TYPES:

1. **Primary or Participant Stakeholder**: is one without whose continuing participation the corporation cannot survive as a going concern.
2. **Secondary or Non Participant Stakeholder**: are defined as those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival.

Stakeholders

These include:

- Shareholders
- Employees
- Customers
- The local community

A single person may have different stakes in the organization, e.g. they may be a customer, a prospective employee or an investor.

Stakeholders Groups

Three Main Groups:

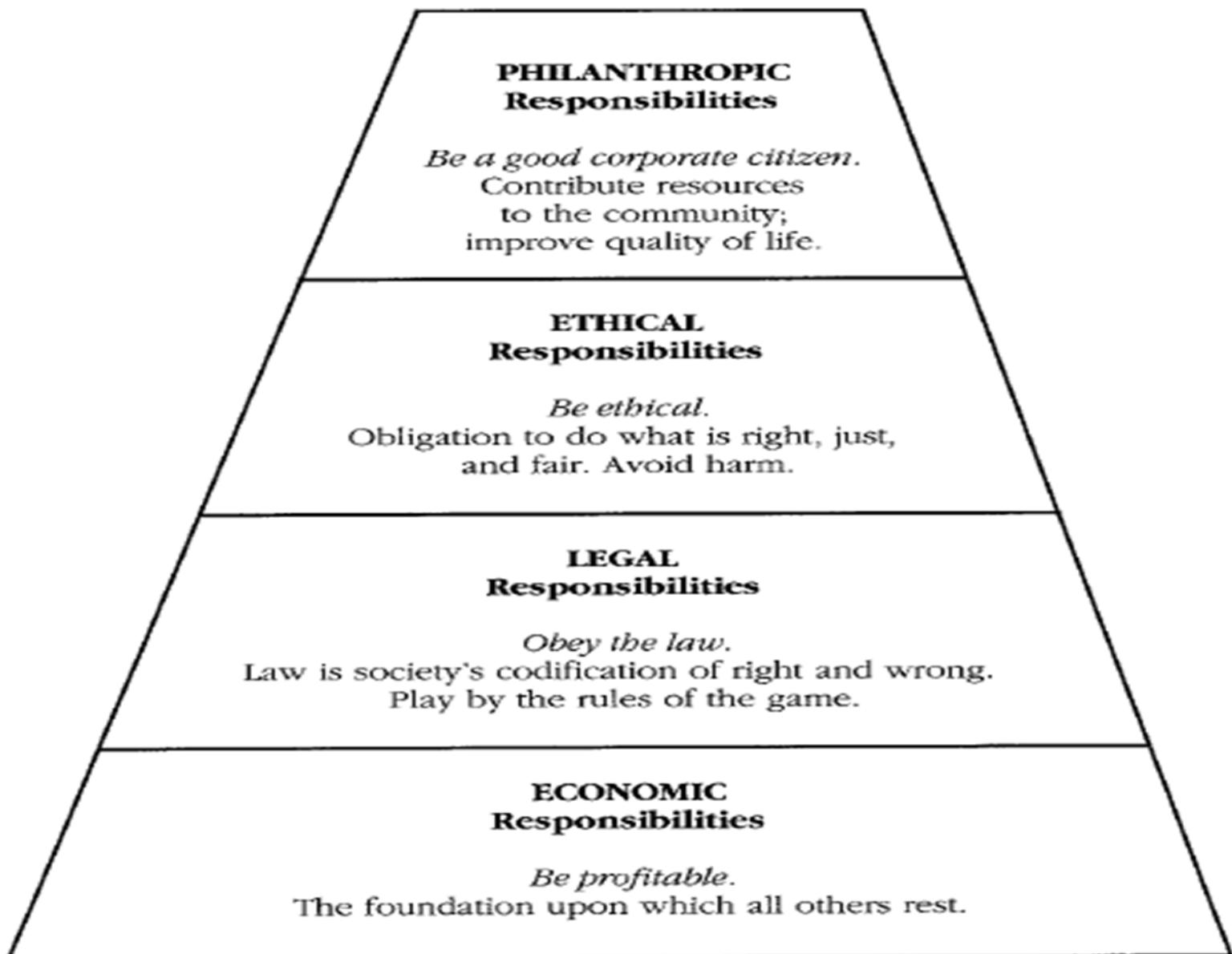
1. **Organizational stakeholder:** are the stockholders and the managers.
2. **Economic stakeholder:** customers are the most vital stakeholders. Bankers, creditors and suppliers are also included here. These parties serve as the important interface between the company and the larger societal environment.
3. **Societal stakeholder:** These determine the business environment under which the companies operate. The most common players here are-
 - various governmental agencies
 - non govt. organizations
 - regulators
 - communities

The Archie Carroll Model

According to this model, four kinds of social responsibilities constitute total Corporate Social Responsibility:

- economic
- legal
- ethical
- philanthropic

The Pyramid of Corporate Social Responsibility



Ackerman's Model

Micro-level theorist Robert Ackerman was among the earliest people to suggest that responsiveness should be the goal of corporate social endeavor.

Ackerman described three phases through which companies commonly tend to pass in developing a response to social issues.



Social Responsibility Models

Ackerman's model - three phases

- **First phase** - Top management recognizes social problem
- **Second phase** – The company appoints staff specialists to look into the issue and find measures to tackle it
- **Third phase** - Implementation of the strategy derived by the specialists

Corporate Social Responsibility Towards Various Stakeholders

Responsibility towards Government

- Obey rules & regulations.
- Regular payment of taxes.
- Cooperating with the Govt to promote social values.
- Not to take advantage of loopholes in business laws.
- Cooperating with the Govt for economic growth & development.



Responsibility towards Society

- Carrying on business with moral& ethical standards.
- Prevention of environmental pollution.
- Minimizing ecological imbalance.
- Contributing towards the development of social health, education
- Making use of appropriate technology.
- Overall development of locality.



Responsibility towards Shareholders

- To ensure a reasonable rate of return over time.
- To work for the survival & the growth of the concern.
- To build reputation & goodwill of the company.
- To remain transparent & accountable.



Responsibility towards Employee

- To provide a healthy working environment.
- To grant regular & fair wages.
- To provide welfare services.
- To provide training & promotion facilities.
- To provide reasonable working standard & norms.
- To provide efficient mechanism to redress worker's grievances.
- Proper recognition of efficiency & hard work.



Responsibility towards consumers

- Supplying socially harmless products.
- Supplying the quality, standards, as promised.
- Adopt fair pricing.
- Provide after sales services.
- Resisting black-marketing & profiteering.
- Maintaining consumer's grievances cell.
- Fair competition.



CSR Management

