



IV. Higher Order Thinking Skills (HOTS)

Question 1. “Like an individual, business enterprise should also be a loyal citizen to the state.” Discuss.

Answer: It has been rightly said that like an individual, a business enterprise should also be a loyal citizen to the state. Therefore, it has to be kept in mind.

- Social needs of our country while deciding on what goods and services are to be produced. Therefore, a businessman in India must prefer necessities to cosmetics and dog food in a country like India where 26% people are below poverty line.
- Production of liquor, tobacco and other undesirable products should be avoided.
- Production method should be used. If a country is labour abundant, the business should give preference to labour intensive techniques.

Question 2. Describe the reality of social responsibilities of a company.

Answer: The biggest problem with CSR is not that it has limitations, nor is it concerning its questionable ability to sufficiently address the problems it intends to ameliorate. Rather, it is the fact that it takes people to a completely wrong direction. For many large corporations, CSR is primarily a strategy to divert attention away from the negative social and environmental impacts of their activities. In the Asian context, CSR mostly involves activities like adopting villages for what they call a ‘holistic development’, in which they provide medical and sanitation facilities, build school and houses, and helping villagers become self-reliant by teaching them vocational and business skills. Such corporate strategies have been effectively hegemonic, providing a strong legitimacy and license for corporations to sustain the exploitation of human and natural resources. More importantly, it leads people to wrongly assume that the business houses, and not the states, are responsible for citizens’ basic rights to better education, clean water, healthcare, etc. It disciplines the uninformed poor motivating them to behave in ways that make state regulation obsolete, while leaving them at the mercy of market forces.

Question 3. Business ethics and social responsibility are not synonyms but are closely related. Substantiate.

Answer: Business ethics and social responsibility are the words that are almost used as a common parlance interchangeably. While social responsibility is self explanatory, ethics is a word that puts one in a dilemma. Social responsibility looks clearly defined and demarcated. Companies have a policy of social responsibility known as Corporate Social Responsibility whereby they commit to follow their businesses in such a way so as to benefit the community at large. But ethics is a loose term that is dependent upon a person’s conscience. There are certain differences between the two and the two are not overlapping completely.

Business Ethics

To understand business ethics, first we need to understand and spell out clearly the word ‘ethics’. Derived from ancient Greek word ethos, ethics has come to mean moral character. Ethical behaviour

is what is good or right. Ethical senses always make use of good, bad, right and wrong. Applying this definition to business, we come to a conclusion that though the primary objective of any business or company is to maximize by the decisions taken by the company for the operation of business.

Business ethics is the behaviour of any business that it indulges in its dealings with the community or society. For some, making money is all they are interested in, and this is capitalism in its dirtiest form. These people are least concerned with the bad effects of their business practices and the harm they are doing to the society at large. When companies do not engage in good business ethics, they are penalised by the law. But such cases are rare and the profits of companies engaging in unethical behaviour are far more than these punitive fines.

Social Responsibility

Man is a social animal and cannot live in isolation. He is expected to behave in a manner that is socially and morally acceptable to others. The same applies to businesses. Though the primary objective of any business is to earn maximum profits for the owners and shareholders, it is also expected to conduct its operations in a manner that it fulfills its social obligations also. For example, though it is not binding on any private sector company to provide employment to the disabled or weaker sections of the society, it is considered to be a part of the social responsibility of the company to absorb people from such sections of the society. Similarly though there is not written law to compel a company to engage in acts to do something to reduce pollution or to do something for the betterment of environment, taking up projects to clean up environment are considered to be a part of the social responsibility of the company. Difference between Business Ethics and Social Responsibility Though business ethics and social responsibility seem to be overlapping, there has always been a contradiction between the two.

1. Companies, though they are committed to be socially responsible for their behaviour have been found to be engaging in acts that cannot be called ethical.
2. What is good for the society is sometimes not good for the business, and what is good for the business is almost always not good for the society.
3. If the society is conscious, it responds in such a way that businesses are forced to behave responsibly. The same applies to the administration and the judiciary of any country.
4. For example, selling of liquor and tobacco in any society is not against business ethics though it may be against the principles of social responsibility. The same applies to lotteries and gambling. But it is certainly against business ethics as well as against social responsibility to entice minors to engage in smoking and drinking.

V. Value Based Questions

Question 1. If you start a business, which objective will be of utmost importance to you and why?

Answer: If I start my own business, my social objectives will be of utmost importance to me because:

- It will create employment opportunities in the economy. I will make use of such methods which are desirable from society point of view.
- It will help me to provide good quality product at reasonable prices to my customers.
- It will keep environment pollution free.
- When I will concentrate on these objectives. It will satisfy my consumers and employees. Consumer satisfaction will lead to improvement in my goodwill and market standing. Employee

satisfaction will lead to increase in productivity. These two factors will increase profits in the long run automatically.

Question 2. What do you mean by the principle derived from social values which guide and govern the conduct of businessmen?

Explain the factors governing these principles and values.

Answer: Social Return on Investment (SROI) is a principle based method for measuring extra-financial value (i.e., environmental and social value not currently reflected in conventional financial accounts) relative to resources invested. It can be used by any entity to evaluate impact on stakeholders, identify ways to improve performance, and enhance the performance of investments.

A network was formed in 2006 to facilitate the continued evolution of the method. Over 570 practitioners globally are members of the SROI Network.

The SROI method as it has been standardized by the SROI Network provides a consistent quantitative approach to understanding and managing the impact of a project, business, organisation, fund or policy. It accounts for stake holders views of impact, and puts financial 'proxy' values on all those impacts identified by stakeholders which do not typically have market values. The aim is to include the values of people that are often excluded from markets in the same terms as used in markets, that is money, in order to give people a voice in resource allocation decisions.

Some SROI users employ a version of the method that does not require that all impacts be assigned a financial proxy. Instead the "numerator" includes monetized, quantitative but not monetized, qualitative, and narrative types of information about value. Benefits that cannot be Monetized: There will be some benefits that are important to stakeholders but which cannot be monetized. An SROI analysis should not be restricted to one number, but seen as a framework for exploring an organization's social impact, in which monetization plays an important but not an exclusive role. Focus on Monetization: One of the dangers of SROI is that people may focus on monetization without following the rest of the process, which is crucial to proving and improving. Moreover, an organisation must be clear about its mission and values and understand how its activities change the world - not only what it does but also what difference it makes. This clarity informs stakeholder engagement. Therefore, if an organisation seeks to monetize its impact without having considered its mission and stakeholders, then it risks choosing inappropriate indicators; and as a result the SROI calculations can be of limited use or even misconstrued.

Needs considerable Capacity: SROI is time and resource, intensive. It is most easily used when an organisation is already measuring the direct and longer term results of its work with people, groups, or the environment.

Some outcomes not easily associated with monetary value: Some outcomes and impacts (for example, increased self-esteem, improved family relationships) cannot be easily associated with a monetary value. In order to incorporate these benefits into the SROI ratio proxies for these values would be required. SROI analysis is a developing area and as SROI evolves it is possible that methods of monetizing more outcomes will become available and that there will be increasing number of people using the same proxies.

Question 3. "The business is responsible for aggravating pollution, so it becomes the moral duty of businessmen to take some positive steps for controlling this problem." In the light of this statement explain the role of businessmen in checking pollution.

Answer: The statement is perfectly correct. In this regard, a businessman can play the following role:

- He may ensure that he makes use of eco friendly methods of production as far as possible.

- He may ensure that in case any pollution occurs, the waste is discharged in proper manner as per the provisions of pollution control boards.
- He may also create awareness amongst employees on how can they minimize this pollution by initiating workshops, seminars etc.

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