



### III. Long Answer Type Questions

Question 1. Build up arguments for and against social responsibilities.

Answer: Arguments for Social Responsibility:

1. Justification for Existence and Growth: Although the main motive of any business is profit but the prosperity and growth of business is not possible without a continuous service to the society. Therefore, it is justified for a business to assume social responsibility.
2. Avoidance of Government Regulation: Businessmen can avoid the problem of government regulations by assuming social responsibilities voluntarily which helps to reduce the need for new laws.
3. Maintenance of Society: Those people who do not get a return for their hardships get indulged in anti-legal activities. Therefore, it is advisable for business enterprises to assume their social responsibilities.
4. Long Term Interest of the Firm: If consumers, workers, shareholders, government officials feel that they are not getting what they deserve, they start to withdraw their hands from business. It may prove more expensive for an enterprise.
5. Availability of Resources with Business: A business enterprise has effective human and financial resources to solve many of the social problems.
6. Converting Problems into Opportunities: Business can make risky situations useful by using their efficiency.
7. Better Environment for Doing Business: Business system should do something to meet needs before it is confronted with a situation when its own survival is endangered.
8. Holding Business responsible for Social Problems: Environmental pollution, unsafe workplaces, corruption in public institutions and discriminatory practices in employment are some of the problems which have caused due to business enterprises.

Arguments against Social Responsibility:

1. Violation of Profit Maximization: As per this argument, business enterprises claim that our objective is profit maximization. Business can reduce its cost and raise profits and then only it can meet its social responsibility.
2. Lack of Social Skills: Business enterprises neither have skill nor experience to solve all types of social problems. Therefore, it should be handled by specialized agencies.
3. Burden on Consumers: Many of the social responsibilities cost a lot and its burden falls on consumers only.
4. Lack of Broad Public Support: Business cannot operate successfully because of lack of cooperation and confidence on behalf of public to business enterprises.

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

Answer: The following are the forces which are responsible for increasing the concern of business enterprises for social

responsibility.

- Threat of Public Regulation: The government is meant to safeguard the interests of society. Thus, in case the government feels that a business enterprise is behaving in a manner that is not socially desirable, then it can regulate the operations of that enterprise accordingly.
- Pressure of Labour Movement: The increase in capital mobility over time has increased the pressure on business enterprises to pay attention to the welfare of workers, by providing them with healthy working conditions along with good remuneration.
- Impact of Consumer Consciousness: As consumers today are aware of their rights and responsibilities, they take their decisions more rationally. Thus, business enterprises are made to work more efficiently and produce better products at reasonable rates to satisfy their customers.
- Development of Social Standards: Business enterprises are not merely profit-making entities. For their long-term growth and existence, they require fulfilling the new standards of social welfare.
- Development of Business Education: The spread of education over time has made consumers, investors, employees and owners aware of social problems, thereby making them more sensitive to social issues.
- Relationship Between Social Interest and Business Interest: No business enterprise can work in isolation from society. Thus, there should be a balance between business interests and social interests, such that the business can grow by doing the maximum good to society.
- Development of a Professional Managerial Class: Every business professional pursues the goal of profit maximization. But today's professional managers make efforts to satisfy the interests of all members of society.

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

Answer: The primary objective of any business enterprise is profit maximization. This is because profit acts as a measure of success and at the same time is the main source of income for an enterprise. Also, profits are often used to finance the expansion projects of a business enterprise. However, it is argued that business enterprises are not merely profit-making entities. They are considered as social institutions, too, as they are created by society. As every business makes use of society's resources in terms of human and physical capital, it cannot work in isolation from society. Its operations are affected by social problems such as unemployment and poverty. Thus, a need arises to create a balance between the business interests and social interests of a business enterprise, such that it can grow by doing the maximum good to society. Hence, we can say that a business enterprise is a social institution and not merely a profit-making entity. In this regard, the following are some of the responsibilities that must be fulfilled by an enterprise:

- Paying taxes on time.
- Paying fair wages to employees.
- Supplying quality products at reasonable prices to customers.
- Cooperating with the government in solving social problems, such as unemployment, poverty and illiteracy.

A business has some responsibility towards:

- Shareholders or investors who contribute funds for business.
- Employees and others that make up its personnel.
- Consumers or customers who consume and/or use its outputs

(products and/or services).

- Government and local administrative bodies that regulate its commercial activities in their jurisdictions.
- Members of a local community who are either directly or indirectly influenced by its activities in their area.
- Surrounding environment of a location from where it operates.
- The general public that makes up a big part of society.

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

Answer: Pollution control is necessary for preserving and improving the quality of environmental resources. As business activities such as production, transportation, distribution, storage and consumption are often assumed to cause the maximum destruction to society's resources, a need arises for adopting pollution control measures. Following are some of the reasons why business enterprises need to adopt pollution control measures,

- Reduced health hazards: Pollutants in the environment cause diseases such as cancers and respiratory problems. Thus, pollution control measures will not only help in reducing the incidence of diseases but also help people enjoy a good and healthy life.
- Reduced risk of liability: Enterprises are often held responsible for polluting the environment and are asked to compensate. Pollution control helps in reducing the risk of such liabilities.
- Cost savings: Efficient pollution control mechanisms help in reducing the cost of waste disposal and the cost of cleaning up production plants. This in turn helps firms to reduce their costs.
- Improved public image: An increase in the education level has made people more aware about environmental problems. As a result, they have started realising the need to protect the environment. Thus, business enterprises which adopt pollution control measures enjoy a good reputation in the society.
- Other social benefits: Pollution control helps a firm to enjoy various other benefits such as cleaner surroundings, better quality of life for its employees as well as owners and increased availability of good quality resources.

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

Answer: Various business activities such as production, transportation and consumption of goods often result in over exploitation of natural resources. Thus, it is the responsibility of every business enterprise to control discharge of pollutants into the environment. The following steps can be taken by the business enterprises to control pollution.

- Control by top managers: The top management of every organisation should be committed to creating, developing and maintaining a work culture conducive to environmental protection and pollution prevention.
- Control by employees: Employees at all the levels of an organisation should be committed to keeping the environment clean and protected.
- Better technology: Enterprises should employ good and superior technologies of production and use scientific techniques for waste disposal. This will ensure environmental protection and pollution control.
- Follow rules: Enterprises must conform to the rules and regulations enacted by the government for the prevention of environmental pollution.
- Increased awareness: By conducting workshops and training programmes, business enterprises must make an effort to spread awareness among its employees of the need to

conserve the environment.

- Assessment programmes: An efficient mechanism for the periodic assessment of pollution control programmes may also be adopted, in order to weigh their costs and benefits.

Question 6. Explain the various elements of business ethics.

Answer: Business ethics can be defined as the code of conduct that a business must follow, such that it takes up only those activities that are desirable from the viewpoint of society. The purpose of business ethics is to guide managers and other employees in an organisation in performing their jobs in a manner that is socially acceptable. Business ethics should be followed in the day-to-day working of a business enterprise. The following are some of the elements of business ethics.

- Commitment by top management: Top-level officers, such as the CEO's and other higher level managers, must sincerely follow the ethical code of conduct. They should also guide other employees in their organisation in adopting the code.
- Publication of a code: An enterprise must clearly define the ethical code of conduct to be followed in the organisation. The code should include quality standards for work, laws governing production and employee's health and safety standards.
- Establishment of compliance mechanism: In addition to setting performance standards, an enterprise must also devise a mechanism through which it can measure the actions of individual employees. This should be done in order to confirm whether the ethical standards are being met.
- Involvement of employees at all levels: The successful implementation of ethical standards depends to a large extent on the involvement of employees at different levels. This is because it is the employees who actually implement the ethical codes.
- Measurement of results: Although it is difficult to measure the end results of implementation of ethical standards, the top management should take steps to monitor compliance. Also, it must take serious action against any unethical behaviour in the organisation.

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