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SOCIAL RESPONSIBILITIES OF BUSINESS AND

BUSINESS ETHICS Reviews Notes

Concept of Social Responsibility of Business

Quick Review—

Concept Of Social Responsibility

—> Arguments for social responsibility:

1. Justification for existence and growth
2. Long-term interest of the firm
3. Avoidance of government regulations
4. Maintenance of society
5. Better environment for doing business
6. Holding business responsible for social problems
7. Availability of resources with business
8. Converting problems into opportunities

—> Arguments against social responsibility:

1. Violation of profit maximisation objective
2. Burden on consumers
3. Lack of social skills
4. Lack of broad public support

—> Reality of social responsibility:

1. Threat of public regulation
2. Pressure of labour movement
3. Imparts consumer consciousness
4. Development of social standard for business
5. Development of business education
6. Relationship between social interest and business interest
7. Development of professional managerial class

—> Kinds of social responsibility:

1. Economic responsibility
2. Legal responsibility
3. Ethical responsibility
4. Discretionary responsibility

-> Social Responsibility Towards Different Interest Groups

1. Responsibility towards the shareholders and owners
2. Responsibility towards workers
3. Responsibility towards the consumers –
4. Responsibility towards the government and community

Social Responsibility

- Social responsibility is an ethical framework and suggests that an entity, be it an organization or individual, has an obligation to act for the benefit of society at large. Social responsibility is a duty every individual has to perform so as to maintain a balance between the economy and the ecosystems
- Social responsibility is broader than legal responsibility of business. Legal responsibility may be fulfilled by mere compliance with the law.
- Social responsibility is more than that. It is a firm's recognition of social obligations even though not covered by law, along with the obligations laid down by law.
- In other words, social responsibility involves an element of voluntary action on the part of business people for the benefit of society

Need for Social Responsibility

Improving Company's Brand	Engaging Customer	Retaining Top Talent	Helping company stand out of competition
<ul style="list-style-type: none">•A socially responsible company can create a company's image and build its brand.•By projecting a positive image, a company can make a name for itself for not only being financially profitable, but socially conscious as well.	<ul style="list-style-type: none">•A social responsibility policy can impact the buying decisions of customers.•Some customers are willing to pay more for a product if they know a portion of the profit is going to worthy cause	<ul style="list-style-type: none">•Many employees want to feel like they're part of something bigger. Social responsibility empowers employees to leverage the corporate resources at their disposal to do good	<ul style="list-style-type: none">•When companies are involved in the community, they stand out from the competition. Building relationships with customers and their neighborhoods helps improve the brand's image.

Protect the interests of stakeholders

To get the support of employees, it has become necessary for organisations to assume social responsibility towards their employees.

Consumer does not buy what is offered to him. He buys what he wants. Consumer sovereignty has, thus, forced firms to assume social responsiveness towards them

Fulfilling social obligations is beneficial for long-run survival of the firms

Long-run survival

A firm and its image stands to gain maximum profits in the long run when it has its highest goal as 'service to society'

It is in its own interest if a firm fulfills its social responsibility.

The public image of any firm would also be improved when it support social goals

Self-enlightenment

With increase in the level of education and understanding of businesses that they are the creations of society, they are motivated to work for the cause of social good.

Managers create public expectations by voluntarily setting and following standards of moral and social responsibility.

Rather than legislative interference being the cause of social responsibility, firms assume social responsibility on their own.

Avoids government regulation

Government regulations are undesirable because they limit freedom.

It is believed that businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps to reduce the need for new laws

For example, Central Pollution Control Board takes care of issues related to environmental pollution

Resources

Business organisations have enormous resources which can be partly used for solving social problems.

Businesses are the creation of society and must work in the best interest of society, both economically and socially.

It can help society to tackle its problems better, given the huge financial and human resources at its disposal

Professionalisation and Better environment

Management is moving towards professionalism which is contributing to social orientation of business

The ethics of profession bind managers to social values and growing concern for society

A society with fewer problems provides better environment for a firm to conduct its business

Holding business responsible for social problems

Social problems have either been created or perpetuated by business enterprises themselves

It is the moral obligation of business to get involved in solving these problems, instead of merely expecting that other social agencies will deal with them

Converting problems into opportunities

Business with its history of converting risky situations into profitable deals, can not only solve social problems but it can also make them effectively useful by accepting the challenge.