

Unit 6

One-mark Questions

1. Mention one socially desirable practice of business.

Making good quality products

2. Mention any one kind of social responsibility.

Economic responsibility

3. Mention the major source of pollution.

Car emissions

4. Mention any one type of pollution.

Air pollution

5. How is land pollution caused?

Soil erosion

6. State one need for pollution control.

Cost saving

7. State any one step to be taken up by business enterprises for environmental protection.

A definite commitment by top management of the enterprise to create, maintain and develop work culture for environmental protection and pollution prevention.

8. Give an example for business ethics.

Avoiding adulteration of goods

9. Mention any one element of business ethics.

Top management commitment

10. Whose involvement is a must in ethics programmes of business?

Involvement of top management

11. Expand CSR

Corporate Social Responsibility

Multiple Choices Questions

1. Social Responsibility is
 - a) Same as legal responsibility
 - b) Broader than legal responsibility
 - c) Narrower than legal responsibility
 - d) None of them

2. If business is to operate in a society which is full of diverse and complicated problems, it may have
 - a) Little chance of success
 - b) Great chance of success
 - c) Little chance of failure
 - d) No relation with success or failure

3. 'An enterprise must behave as a good citizen' is an example of its responsibility towards
 - a) Owners
 - b) Workers
 - c) Consumers
 - d) Community

4. Environmental protection can best be done by the efforts of
 - a) Business people
 - b) Government
 - c) Scientists
 - d) All the people

5. Carbon Monoxide emitted by automobiles directly contributes to
 - a) Water pollution
 - b) Noise pollution
 - c) Land pollution
 - d) Air Pollution

6. Which of the following can explain the need for pollution control?
 - a) Cost Savings
 - b) Reduced risk of liability
 - c) Reduction of health hazards
 - d) All of them

7. Which of the following can do maximum good to society?
 - a) Business success
 - b) Laws and regulations
 - c) Ethics
 - d) Professional Management

Two Marks Questions

1. What is social responsibility of business?

Social responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society. The assumption of social responsibilities by business enterprises implies that they respect the aspirations of society and would try their best to contribute to the achievement of these aspirations along with their profit interests.

2. How does social responsibility differ from legal responsibility?

In this sense, 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.

3. Mention any two responsibilities of business towards the workers.

- a) It should try to create the right kind of working conditions so that it can win the cooperation of workers.
- b) The enterprise must respect the democratic rights of the workers to form unions.

4. In what ways, a business can assume responsibility towards the government?

- a) An enterprise must respect the laws of the country and pay taxes regularly and honestly.
- b) It must behave as a good citizen and act according to the well accepted values of the society.

5. Give the meaning of environment.

The environment is defined as the totality of man's surroundings — both natural and man-made. These surroundings are also in the nature of resources, that are useful for human life.

6. Mention any two causes of environment pollution.

- a) It is mainly due to carbon monoxide emitted by automobiles which contributes to air pollution.
- b) Water becomes polluted primarily from chemical and waste dumping.

7. State any two reasons which make case for pollution control.

- a) There is increasing evidence that many diseases like cancer, heart attacks and lung complications are caused by pollutants in the environment.
- b) An effective pollution control programme is also needed to save costs of operating business.

8. State any two effects of pollution.

- a) Resultant air pollution has created a hole in the ozone layer leading to dangerous warming of the earth.
- b) The damage the quality of land making it unfit for agriculture or plantation.

9. What are business ethics?

Business ethics concerns itself with the relationship between business objectives, practices, and techniques and the good of society. Business ethics refer to the socially determined moral principles which should govern business activities.

10. State any two elements of business ethics.

- a) Top management has a crucial role in guiding the entire organisation towards ethically upright behaviour
- b) Enterprises with effective ethics programmes do define the principles of conduct for the whole organisation in the form of written documents which is referred to as the “code”.

Four marks questions

1. Explain briefly any four arguments for social responsibility.

- a) Justification for existence and growth: Business exists for providing goods and services to satisfy human needs. Though, profit motive is an important justification for undertaking business activity, it should be looked upon as an outcome of service to the people.
- b) Long-term interest of the firm: A firm and its image stands to gain maximum profits in the long run when it has its highest goal as 'service to society'. When increasing number of members of society — including workers, consumers, shareholders, government officials, feel that business enterprise is not serving its best interest, they will tend to withdraw their cooperation to the enterprise concerned.
- c) Avoidance of government regulation: From the point of view of a business, government regulations are undesirable because they limit freedom. Therefore, 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.
- d) Maintenance of society: The argument here is that laws cannot be passed for all possible circumstances. People who feel that they are not getting their due from the business may resort to anti-social activities, not necessarily governed by law.

2. Explain briefly the arguments against social responsibility.

- a) Violation of profit maximisation objective: According to this argument, business exists only for-profit maximisation. Therefore, any talk of social responsibility is against this objective. In fact, business can best fulfill its social responsibility if it maximises profits through increased efficiency and reduced costs.
- b) Burden on consumers: It is argued that social responsibilities like pollution control and environmental protection are very costly and often require huge financial investments.
- c) Lack of social skills: All social problems cannot be solved the way business problems are solved. In fact, businessmen do not have the necessary understanding and training to solve social problems.
- d) Lack of broad public support: Here the argument is that the public in general does not like business involvement or interference in social programmes. Therefore, business cannot operate successfully because of lack of public confidence and cooperation in solving social problems.

3. Explain briefly any four reasons responsible for increasing concern of business enterprises towards social responsibility.

- a) Threat of public regulation: Democratically elected governments of today are expected to act as welfare states whereby they have to take care of all sections of society.
- b) Pressure of labour movement: Over the last century or so, labour has become far more educated and organised. Accordingly, labour movement for extracting gains for the working class throughout the world has become very powerful.
- c) Impact of consumer consciousness: Development of education and mass media and increasing competition in the market have made the consumer conscious of his right and power in determining market forces.
- d) Development of social standard for business: Businesses are no longer considered merely money crazy entities which can be allowed to mint money at any cost and get away with any kind of business practices.

4. Explain briefly the various areas of social responsibility of business.

Social responsibility of business can broadly be divided into four categories, which are as follows:

- a) Economic responsibility: A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic i.e., produce goods and services that society wants and sell them at a profit. There is little discretion in performing this responsibility.
- b) Legal responsibility: Every business has a responsibility to operate within the laws of the land. Since these laws are meant for the good of the society, a law-abiding enterprise is a socially responsible enterprise as well.
- c) Ethical responsibility: This includes the behaviour of the firm that is expected by society but not codified in law. For example, respecting the religious sentiments and dignity of people while advertising for a product. There is an element of voluntary action in performing this responsibility.
- d) Discretionary responsibility. This refers to purely voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions or helping the affected people during floods or earthquakes. It is the responsibility of the company management to safeguard the capital investment by avoiding speculative activity and undertaking only healthy business ventures which give good returns on investment.

5. Explain the social responsibility of business towards:
(a) Shareholders (b) Consumers.

Responsibility towards the shareholders or owners: A business enterprise has the responsibility to provide a fair return to the shareholders or owners on their capital investment and to ensure the safety of such investment. The corporate enterprise on a company form of organisation must also provide the shareholders with regular, accurate and full information about its working as well as schemes of future growth.

Responsibility towards the consumers: Supply of right quality and quantity of goods and services to consumers at reasonable prices constitutes the responsibility of an enterprise toward its customers. The enterprise must take proper precaution against adulteration, poor quality, lack of desired service and courtesy to customers, misleading and dishonest advertising, and so on. They must also have the right of information about the product, the company and other matters having a bearing on their purchasing decision.

6. Explain briefly the causes of pollution.

It must be recognised that all sectors of our society viz., industry, government, agriculture, mining, energy, transportation, construction, and consumers generate waste. Wastes contain pollutants which are the materials of chemicals that have been discarded during the process of production or consumption.

Pollution is caused by these pollutants which are released into the environment beyond its assimilation capacity. Among the various sources of pollution, industry is a major generator of waste in terms of both its quantity and toxicity.

Business activities such as production, distribution, transport, storage, consumption of goods and services are known to be the most critical sources of environmental pollution problems.

7. Explain briefly different types of pollution.

- a) Air pollution: Air pollution is the result of a combination of factors which lowers the air quality. It is mainly due to carbon monoxide emitted by automobiles which contributes to air pollution. Similarly, smoke and other chemicals from manufacturing plants pollute the air.
- b) Water pollution: Water becomes polluted primarily from chemical and waste dumping. For years, business enterprises have been dumping waste into rivers, streams and lakes with little regard for the consequences. Water pollution has led to the death of several animals and posed a serious threat to human life.
- c) Land pollution: Dumping of toxic wastes on land causes land pollution. This damages the quality of land making it unfit for agriculture or plantation. Restoring the quality of the land that has already been damaged is a big problem.
- d) Noise pollution: Noise caused by the running of factories and vehicles is not merely a source of annoyance but is also a serious health hazard. Noise pollution can be responsible for many diseases like loss of hearing, malfunctioning of the heart and mental disorder.

8. Explain briefly any four reasons which justify the need for pollution control.

- a) Reduction of health hazards: There is increasing evidence that many diseases like cancer, heart attacks and lung complications are caused by pollutants in the environment. Pollution control measures can not only check the seriousness of such diseases but can also be supportive of a healthy life on earth.
- b) Reduced risk of liability: It is possible that an enterprise is held liable to pay compensation to people affected by the toxicity of gaseous, liquid and solid wastes it has released into the environment. Therefore, it is sound business policy to install pollution control devices in its premises to reduce the risk of liability.
- c) Cost savings: An effective pollution control programme is also needed to save costs of operating business. Cost savings are particularly noticeable when improper production technology results in greater wastes which leads to higher cost of waste disposal and cost of cleaning the plants.
- d) Improved public image: As society becomes increasingly conscious of environmental quality, a firm's policies and practices for controlling wastes will increasingly influence people's attitude towards its working. A firm that promotes the cause for environment will be able to enjoy a good reputation and will be perceived as a socially responsible enterprise.

9. Explain briefly any four steps that should be taken up by business enterprises for environment protection.

- a) A definite commitment by top management of the enterprise to create, maintain and develop work culture for environmental protection and pollution prevention.
- b) Ensuring that commitment to environmental protection is shared throughout the enterprise by all divisions and employees.
- c) Developing clear-cut policies and programmes for purchasing good quality raw materials, employing superior technology, using scientific techniques of disposal and treatment of wastes and developing employee skills for the purpose of pollution control.
- d) Complying with the laws and regulations enacted by the Government for prevention of pollution.

10. Explain briefly any four elements of business ethics.

- a) **Top management commitment:** Top management has a crucial role in guiding the entire organisation towards ethically upright behaviour. To achieve results, the Chief Executive Officer (or CEO) and other higher-level managers need to be openly and strongly committed to ethical conduct.
- b) **Publication of a 'Code':** Enterprises with effective ethics programmes do define the principles of conduct for the whole organisation in the form of written documents which is referred to as the "code".
- c) **Establishment of compliance mechanisms:** In order to ensure that actual decisions and actions comply with the firm's ethical standards, suitable mechanisms should be established. Some examples of such mechanisms are: paying attention to values and ethics in recruiting and hiring; emphasising corporate ethics in training; auditing performance regularly to analyse the degree of compliance; and instituting communication systems to help employees report incidents of unethical behaviour.
- d) **Involving employees at all levels:** It is the employees at different levels who implement ethics policies to make ethical business a reality. Therefore, their involvement in ethics programmes becomes a must. For example, small groups of employees can be formed to discuss the important ethics policies of firms and examine attitudes of employees towards these policies.