

Business Ethics and Corporate Social Responsibility

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A company's core values and codes of ethical behavior should underpin everything that the business does. How a company then chooses to interact with its global and local communities in the light of its values and ethics is often known as 'Corporate Responsibility' or 'Corporate Social Responsibility' (CSR). The Institute of Business Ethics defines CSR as:

"The voluntary actions taken by a company to address the ethical, social and environmental impacts of its business operations and the concerns of its principal stakeholders" Almost all the banks in India today claim that, they are been undertaking some sort of social responsibilities. Two cases are cited here to illustrate the point.

(1) State Bank of India

State Bank of India with the philanthropic arm undertaken various initiatives in providing Community service banking, Disaster Relief, Children's Welfare scheme, Adoption of girl child, blood donation camps, Medical camps, Family Planning Camps, Veterinary Camps, Adult literacy classes, Ladies club activities, Tree planting Activities, special program for children and other cultural activities, Facilitate education for underprivileged children, Energy, Environment, Physically challenged, Poverty Eradication, Vocational Training, Women, Rural community Development and Adoption of girl child, Research and development- on education with the objective of owing a solemn duty to the less fortunate and under-

privileged 26 members of the society. It has established a child protection Centre 'UTSAH' (Universal Team for Social Action & Help) under which accommodating 125 students are from slum area to provide education. SBI's major contribution towards CSR happens through 'SBI Children's Hope Foundation' and 'GrowTrees.com.

(2) ICICI bank,

one of the flagship companies among the banks in India. Today, ICICI bank's CSR initiatives are spread across diverse areas such as environment management, employee relations, economic development, civic amenities and community services, population management, sports and adventure, healthcare, response to natural calamities, education, skill development and sustainability livelihood, arts and culture and social welfare. To achieve the desired objectives, ICICI bank supports various social welfare organizations. These include Nutrition Security Innovations Program, Village Health Committee-Sahitya Resource Centre, Developing new products for outpatient healthcare, City Initiative for Newborn Health, Mumbai Maternal Nutrition Project, School and teacher education reform program in Rajasthan, Chhattisgarh Curriculum and Textbook Development, Creating an Education Resource Centre in Chhattisgarh, English Relay Program, The Quality Education Program, Rural Self-Employment Training Institutes, Universal Access to Finance, Effective and Affordable Risk Management Solutions, Poverty alleviation through ICICI Group companies, Working

with Self Help Groups: Kalanjiam Foundation Project, Project SARAS, Mukangan Education Initiative (healthy Lokshakthy), ICICI Academy for Skills and English language training for teachers and students in rural Assam.

Business Ethics and Corporate Governance Companies are increasingly being required by both regulatory authorities and by their shareholders to operate efficiently, responsibly and ethically. How banking companies – especially those that are in public trade – meet these requirements has a direct impact on public confidence in the free market system. Corporate governance is defined by Sheik and Chaterjee (2001) as: “Distribution of rights and responsibilities among different participants in the organization, such as the board, managers, shareholders, and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs” Corporate governance, therefore, is concerned with establishing a system whereby the directors are entrusted with responsibilities as well as duties in relation to the direction and day to day operation of a company’s affairs. It is also founded on the system of accountability, primarily directed towards the shareholders, in addition to maximizing the shareholder’s welfare in the long-term.

(i) State Bank of India

The Golden Peacock Global Award was honored State Bank of India for excellence in corporate governance’ in 2012 from Mr. Eric Picker, Former Prime Minister of the Sweden and Co-chair of the World Commission on Forest and Sustainable Development. State Bank of India has a three-pronged governance structure that provides for checks and balances throughout its operation.

1. First layer of this structure is the ‘law of the land’. Statutes on the number of non-executive and independent directors, board procedure, and terms of office are followed with rigor.

2. Second layer is ‘ethics and compliance through audit committee’. As stipulated by the code, and this comprises, among other things, employee welfare measures leave with pay, provident fund, gratuity and profit sharing.

3. Third layer is ‘communication’. To ensure that a culture of safeguard all the stakeholders interest by applying prompt transparency and integrity in all the banking operations/transactions. Evenly communicates for excellence in customer service through answerability and highly standardized leadership to build ideal leadership skills among other employees .

(ii) ICICI bank

Among the top ten companies in Asia ICICI bank received one of the prestigious award Corporate Governance Asia Annual Recognition Awards 2013 and also awarded the certificate of recognition as one of the top 5 companies Corporate Governance in The Institute of Company Secretaries of India (ICSI) National Awards for Corporate Governance. The ICICI bank, consistently one of the highest CG score companies in India is ahead of prevailing CG norms and has implemented most of the reforms even before they became mandatory. Till today its disclosure standards are among the best in the entire industry. Also, it provides the most comprehensive manpower data like age profiles, experience, education levels, and gender mix etc., elaborated in detail. ICICI is one of the very few companies in India to have a board with a majority of independent directors, as well as wholly independent audit, nominations, compensation, board governance, CSR, customer service, fraud monitoring, information technology strategy, share transfer & shareholders’/investors’ grievance, credit and risk committees and committee of executive directors.

Measures to Create Ethical Behavior

Theodore Purcell and James Weber (1981) suggested three ways for applying and integrating ethical concepts into daily action. They include:

1. Establishing appropriate company policy or a code of ethics,
2. Using a formally appointed ethics committee, and
3. Teaching ethics in management development programs.

Thus it is top management which has to take initiative to establish ethical organization. **Creating Value System**

In common parlance, value is indicative of worth, honor, and finally right and wrong actions and choices. It is also associated with norms, world views, culture and tradition. Values can be classified into individual and organizational values. Values at the Individual level includes faith, self-respect, setting an example or being ideal, open-mindedness, competitiveness, creativity, devotion towards work, tolerance, sacrifice, courtesy, good, just, civic sense, honesty, humility, simplicity, reason, truth, non-covetousness, forgiveness, fortitude, cleanliness, absence of egoism, detachment, poise, equanimity etc, Values that can be imparted to the members of organization collectively include harmony, resourcefulness, discipline, dharma, equality, brotherhood, unity, peace, social conscience, co-operation, live and let live concern, care, mutual trust, love, team-spirit, efficiency, effectiveness, excellence, morale, productivity, responsibility, risk-bearing, accountability, sharing, sacrifice, etc.

Open Book Management –

The goal of open-book management is to get employees to think like an owner by seeing the impact of their decisions and actions on financial results.

Employee Selection –

The selection process should be viewed as an opportunity to learn about an individual's moral level of development, personal values, ego strength, and locus of control.

Codes of Ethics –

A code of ethics, a formal statement of an organization's primary values and the ethical rules it expects its employees to follow, is a popular choice for reducing that ambiguity. For instance, nearly 95 percent of Fortune 500 companies now have codes of conduct

Ethics Game - Individuals are grouped into small groups or large groups are divided into several teams. Individuals or teams are presented with ethical dilemmas based on the company's actual experiences. The goals of the game are to help employees recognize ethical dilemmas and increase their understanding of its rules and policies regarding ethical behavior.

Ethics Committees –

Many companies have ethics committees to advice on ethical issues. Such a committee can be a high-level one, comprising the board of directors and chaired by the CEO of the company. Board- Many boards of directors now include outside directors, such as influential, academic, minority, and religious leaders, who give "society's" view during decision making.

The Ethical and Social Responsibility Review –

Written regulations cannot possibly cover all potential marketing abuses, and existing laws are often difficult to enforce. However, beyond written laws and regulations, business is also governed by social codes and rules of professional ethics. Enlightened companies encourage their managers to look beyond what the regulatory system allows and simply "do the right thing". These socially responsible firms actively seek out ways to protect

the longrun interests of their consumers and the environment.

Ethics Hot Lines –

A member of the ethics committee receives the confidential call and then quickly investigates the situation. Elaborate steps are taken to protect the identity of the caller, so as to encourage more employees to report any deviant behavior.

Ethics Training Programs –

Generally speaking, ethics training is most effective when it is conducted by company managers, and is steered away from abstract philosophical discussions to focus on specific issues from the work environment.

Ethics Manual –

If an organization is keen to set up explicit norms that will guide its general business principles and code of conduct, it needs to first craft a business ethics manual. Such a manual will begin with the ‘Vision Statement’ and proceed from there to a clear declaration of actual norms, practices and what the company considers to be strict. A good ethics manual will integrate these different aspects within a common and reiterative scheme such that the whole manual hangs together as a unity.

Ombudsman Position –

An ombudsman is a person within an organization, often an elder and respected manager, close to retirement, who has been relieved of operating responsibilities and assigned the task of counseling younger employees on career problems, organizational difficulties and ethical issues. The term in Swedish, refers to a government agent in that country who has been especially appointed to investigate complaints made by individual citizens against public officials for abuses of power or unfeeling/uncaring acts. Often the ombudsman can

go considerably beyond counseling and investigation and is able to act informally to resolve problems.

Conclusion

Ethical decision making is not a simple process but rather a multifaceted process. The different models show different processes – decision making process as influenced by ethical screen and addressing a situation where in an individual confronts a problem perceived as having ethical content. For all concerned to be aware about ethics in relation to banking products and services, bank managers are expected to a code of ethics. Bank should follow certain standards and take measures to safeguard the interest of the customers. It transpires that the number financial frauds are on the increase and that the sectors which were vulnerable to fraud were financial services, real estate and infrastructure and social and Government sectors. Ethics in business/ banking is possible when businessmen and banker resist the temptation of easy money and stop resorting to short cuts. Organizations and banks have learnt to integrate their business operations/activities with social responsibility. Values that can be imparted to the members of organizations collectively include harmony, resourcefulness, discipline, unity, co-operation, mutual trust, responsibility, risk bearing, team spirit, accountability etc

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