B.Com- III Year **Subject: BUSINESS ETHICS AND HUMAN VALUES**

UNIT NO.	TOPICS
1.	**Introduction-** Business Ethics: Meaning, Importance; Business Ethics-An Indian 18 Perspective Sustainability: A Goal for Business Ethics; Approaches and Practices of Business Ethics; Ethical Decision Making and Decision Making Process, Relevance of Ethics and Values in Business; Codes of Ethics; Ethical Behaviour of Manager. Ethical theories: Normative and descriptive ethical theories,
2.	**Business Ethics Management-** Management process and ethics, Ethos of Vedanta in management, Hierarchism as an organizational value, Business Ethics & Cultural Ethos; role of various agencies in ensuring ethics in corporation; Setting standards of ethical Behaviour; Managing. stakeholder relations; Assessing ethical performance.
3.	**Human Values & Business-** Meaning of Human Values; Formation of Values: Socialization; Types of Values: Societal Values, Aesthetic Values, Organizational Values, Spiritual Values; Value Crisis in Management; concept of knowledge management and wisdom. management, wisdom-based management. Concept of Karma and its kinds: Karma Yoga, Nishkam Karma, and Sakam Karma
4.	**Moral Issue in Business-** Implications of moral issues in different functional areas of business (finance, HR, and marketing). Whistle blowing; Marketing truth and advertising: Manipulation and coercion, Trade secrets, Insider trading; Equal employment opportunity, Affirmative action, Consumerism; Environmental protection
5.	**Corporate Social Responsibility (CSR)-** Concept of CSR, Corporate Philanthropy, Strategic Planning and Corporate Social Responsibility. Relationship of CSR with Corporate

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	Sustainability; CSR and Business Ethics, CSR and Corporate Governance: CSR provisions under the Companies Act 2013: CSR Committee: CSR Models, Codes, and adherence to Standards. Scope, Principles and certification of Social Responsibility.

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UNIT – 1

BUSINESS ETHICS

Business ethics is nothing but the application of ethics in business. Business ethics is the application of general ethical ideas to business behavior. Ethical business behavior facilitates and promotes good to society, improves profitability, fosters business relations and employee productivity. The concept of business ethics has come to mean various things to various people, but generally it‘s coming to know what it right or wrong in the workplace and doing what‘s right - this is in regard to effects of products/ services and in relationships with stakeholders.

Business ethics is concerned with the behavior of a businessman in doing a business. Unethical practices are creating problems to businessman and business units. The life and growth of a business unit depends upon the ethics practiced by a businessman. Business ethics are developed by the passage of time and custom. A custom differs from one business to another. If a custom is adopted and accepted by businessman and public, that custom will become an ethic. Business ethics is applicable to every type of business. The social responsibility of a business requires the observing of business ethics. A business man should not ignore the business ethics while assuming social responsibility. Business ethics means the behavior of a businessman while conducting a business, by observing morality in his business activities.

Definitions

According to **Wheeler** – Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as reorganizing the moral responsibility for the rightness and wrongness of business conduct.

According to **Rogene. A. Buchholz —**Business ethics refers to right or wrong behavior in business decisions.

Benefits of Business Ethics –

1) Attention to business ethics has substantially improved society.
2) Ethics programs help maintain a moral course in turbulent times.
3) Ethics programs cultivate strong teamwork and productivity.
4) Ethics support employee growth.
5) Ethics programs help ensure that policies are legal.
6) Ethics programs help avoid criminal acts "of omission" and can lower fines.
7) Ethics programs help to manage values associated with quality management, strategic planning and diversity management.
8) Ethics promote a strong public image.

Guidelines for managing business ethics in the Workplace –

- ❖ Recognize that managing ethics is a process.
- ❖ The bottom line of an ethics program is accomplishing preferred behaviors in the workplace.

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- The best way to handle ethical dilemmas is to avoid their occurrence in the first place.
- Make ethics decisions in groups and make decisions public, as appropriate.
- Integrate ethics management with other management practices.
- Use cross-functional teams when developing and implementing the ethics management programs.
- Value forgiveness
- Note that trying to operate ethically and making a few mistakes is better than not trying at all.

Six Key Roles and Responsibilities in Business Ethics Management –

1) The organization's chief executive must fully support the program.
2) Consider establishing an ethics committee at the board level.
3) Consider establishing an ethics management committee.
4) Consider assigning/developing an ethics officer.
5) Consider establishing an ombudsperson (lokayukata)

Business Ethics and Moral obligations

A duty is an obligation to act in a certain way. When the obligation is based on moral and ethical considerations, it is a moral duty. Often we think about moral duties in terms of rules that restrain us, the "don'ts," as in don't lie, cheat, or steal. Such rules comprise the so-called negative dimension of moral duty because they tell us what not to do. Since ethics is concerned with the way we ought to be, however, it also includes an affirmative dimension consisting of things we should do — keep promises, judge others fairly, treat people with respect, kindness and compassion.

Sources of Moral Obligation

1. Law-Based Moral Obligations.
2. Agreement-Based Moral Obligations.
3. Moral Principle as the Basis of Moral Obligation.

Sustainability as a goal of business ethics: In business, the three aspects of sustainability include social, economic and environmental. The role of companies in addressing all these three aspects depend on the management practice implemented in the organization. Therefore, as the company strives into the future, it should take keen interest on a number of strategic options. For example, the company should focus on global economic development so that it could change with the trends. This is important for the company's success in all its business initiatives.

Secondly, the company should strategically monitor the global monetary policies so that it could adjust based on the provisions of such regulations. The company should also be able to detect international weaknesses and capitalise on them. This strategic option indicates that the company has to be agile and flexible in its operations so that it could capitalise on global business dynamics. The company should also avoid unnecessary sceptics in its strategic mission. This means the company could change its mode of operations to suit the state of economic affairs.

Considering the amounts low costs of inputs invested towards the production of merchandise, organizations are most likely to ignore the evidence presented. This can continue until more pressure is enforced via other tools like the media. It is also

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possible that companies respond by pretending to withhold/suspend rather than completely stopping their production processes. They can do this by issuing press statements that give the wrong notion that production processes are stopped completely.

One of the most vital ways of doing this is by eliminating the exploitive contractors at the grass root level. This will provide the organizations with the ability to monitor the level of pay accrued to the workers. If the companies accept the claims made, they can as well decide to involve their grass root workers in their decision making process so that they are made aware of all the companies operations. This will not only reduce the level of criticisms but will also integrate the workers in to the organizational operations. In addition, the firms may also respond to the substantiated claims by introducing a system that allows workers to work from their homes rather than from the industries. This will be of great merit to the workers especially the women. It will help alleviate issues of harassment both verbally and sexually that are because of male domination in the congested work place. Identifying and Improving Social Impacts of Business Ethics and Sustainability In reality, it might not be easy to identify and improve social impacts of business ethics and sustainability in a company, but it is a necessary organizational practice. By comparison a progressive company implementing social practices with others, there are reasons why different companies do not changed voluntarily or has not been forced to adapt its strategy yet .

What Is A Code Of Ethics?

What is a code of ethics, can be described as a set of values that guides the behaviour and decision-making process of an organisation and its people. Companies may create

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a code of ethics in the form of a document that outlines their core values. The ethical code document usually sets out the broad standards to follow while conducting business or interacting with customers in a business environment. The idea is to run a business equitably under socially acceptable norms.

In some industries, such as finance or public health, specific laws dictate professional conduct. In others, companies and professionals may voluntarily adopt a code of ethics.

Developing a Code of Conduct –

- Identify key behaviors needed to adhere to the ethical values proclaimed in code of ethics.
- Include wording that indicates all employees are expected to conform to the behaviors specified in the code of conduct.
- Obtain review from key members of the organization: Be sure that the legal department reviews the drafted code of conduct.
- Announce and distribute the new code of conduct.
- Review which values produce the top three or four traits of a highly ethical and successful product or service in your area.
- Identify values needed to address current issues in your workplace.
- Identify any values needed, based on findings during strategic planning.
- Consider any top ethical values that might be prized by stakeholders.
- Collect from the above steps, the top five to ten ethical values, which are high priorities in your organization –

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a. Trustworthiness: honesty, integrity, promises keeping, loyalty.
b. Respect: autonomy, privacy, dignity, courtesy, tolerance, acceptance.
c. Responsibility: accountability, pursuit of excellence.
d. Caring: compassion, consideration, giving, sharing, kindness, loving.
e. Justice and fairness: procedural fairness, impartiality, consistency, equity, equality, due process.
f. Civic virtue and citizenship: law abiding, community service, protection of environment.

- Obtain review from key members of the organization.
- Announce and distribute the new code of ethics (unless you are waiting to announce it along with any new codes of conduct and associated policies and procedure).
- Update the code at least once a year.
- Note that you cannot include values and preferred behaviours for every possible ethical dilemma that might arise.

Managers and Ethics in Organizations : Many managers find it difficult to speak about and sometimes even recognize ethical issues, a difficulty that the management theorists James Waters and Frederick Bird called the moral muteness of managers. Recognizing that management is an inherently ethical task and that the practices of the company embody a set of values or ethics, the management scholar Jeanne Liedtka suggests that there does exist a set of ethically based management practices that can help managers lead their companies effectively and so that they are competitive. By examining numerous organizational improvement initiatives, she determined that they shared common practices and common sets of values that could help an organization achieve its goals most effectively.

The ethics of effective and competitive business practices identified by Jeanne Liedtka include creating a shared sense of meaning, vision, and purpose that connect the employees to the organization and are underpinned by valuing the community without subordinating the individual and seeing the community's purpose as flowing from the individuals involved.

A second characteristic that ethical leadership can provide is developing in employees a systems perspective, which is linked to the post conventional stages of cognitive and moral reasoning discussed above, so that a value of serving other community members and related entities in the broader ecosystem emerges. Another theme is that of emphasizing business processes rather than hierarchy and structure, which is based on valuing work itself intrinsically and focusing on both ends and means in decision making, not just the ends. Localized decision making, particularly around work processes, provides a value of responsibility for individual actions, and using information within the system is supported by values of truth telling, integrity, and honesty, the characteristics of moral persons, as well as transparency about and access to needed information.

Ethical theories:

- **Normative ethics:**

Normative ethics is about intrinsic value, right and wrong, and/or virtues. The following are claims concerning normative ethics:

1. It is wrong to kill people just because they make you angry.

2. We should fight to free slaves when necessary, even when doing so is illegal.
3. Pain is intrinsically bad—we ought not cause pain without a good reason to do so.
4. It is reasonable for a person to give charity to those in need, even if no reciprocation should be expected.

Normative ethics is about what actually has overriding importance for determining how we ought to act. Even if you want a million dollars, you ought not kill innocent people in order to get a million dollars in return. Etiquette is often said to be similar to normative ethics, except etiquette is not of overriding importance. Burping is considered to be rude, but it is not that big of a deal.

❖ **Descriptive ethics:**

Descriptive ethics is about what motivates pro-social behavior, how people reason about ethics, what people believe to have overriding importance, and how societies regulate behavior (such as by punishing people for doing certain actions). We know that empathy helps motivate pro-social behavior (such as giving to charity) and we know that our beliefs about what has overriding importance is somewhat based on the culture we live in.

What behaviors are punished in a society tells us something about what the people find to be of overriding importance, and the type of punishment I have in mind is basically just negative consequences. Punishment could even be social pressure, such as being criticized for doing something unethical There are certain predictable ways people reason about ethics (often in unreasonable ways). For example, people often

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overestimate the importance of consequences when considering how well reasoned people's moral decisions are.

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Unit – II

Business Ethics in Management

Management process and Ethics:

Ethical business practices strengthen customer relationship that is of prime importance for long-term organizational success. It deals with retaining and creating a long-lasting impression in the minds of customers. Such impressions help the enterprise to win the trust of customers and get more business.

Management and Business Ethics –
Management, be it of a kingdom, a war or a business enterprise has to be based on a value system. Management is successful where the value system is extremely strong. Management has to deal with people. All individuals have different characteristics. The management is required everywhere. The success and progress depends upon the good mission, vision, values, plans and policies. The principles of management, which are used in every field, is based on certain ethics and values. Indian ethos demands subjective management system.

As it is said earlier, management is a universal process in all organized activates. Management pays a very paramount role in a business firm, government enterprise, education and health service and military organization etc. Business ethics plays a very crucial role in various management functions

Functions of Management

i) Planning
ii) Organizing
iii) Staffing
iv) Directing
v) Controlling

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Ethos of Vedanta:

Meaning of Vedanta: In the Indian context, Vedanta is considered to be the highest spiritual knowledge knowing which, there remains nothing further to be known

The term Vedanta is a Sanskrit compound word that is formed with a combination of two basic words: Veda and anta. The Sanskrit term 'Veda' is derived from 'vid' which means - to know or to see directly or to have the knowledge and 'anta' means 'the end of' or 'the goal of' or 'culmination'. Knowledge here means the gen of the potential divinity of our Atman. So, the compound term Vedanta means 'the quest for Self-knowledge' or 'the knowledge of Truth' or 'the knowledge of our divine nature.'

Ethos of Vedanta is based on supreme truth & supreme soul. If you do good to someone, you will get good. If you are good, the whole world is good to you. Management ethics is the ethical treatment of employees, stockholders, owners and the public by a company. A company, while needing to make a profit, should have good ethics. Employees should be treated well, whether they are employed here or overseas. By being respectful of the environment in the community a compound ethics, and good, honest records also show respect to stockholders and owners. Most of us would agree that it is ethics in practice that makes sense; just having it carefully drafted and redrafted in books may not serve the purpose. Of course all of us want businesses to be fair, clean and beneficial to the society. For that to happen, organizations need to abide by ethics or rule of law, engage themselves in fair practices and competition; all of which will benefit the consumer, the society and organization.

Some of the principles of Indian ethos are:

1. Know who you are & what is your purpose of existence, this concept is used in management because a management's main motive is to know what who they have to manage & what they have to deal through

2. Holistic approach: We should behave with others in the manner which we expect from them. Effectiveness & efficiency of an organization increases when the employees are highly motivated.

3. Service motive: A person should have service motive & at the same time should have a smiling face while providing that service. An organizations main motive is to provide service to other, & they should not be profit oriented.

4. Self sacrifice: One should have self sacrifice attitude, means sacrificing self ego, & should always be helpful to others

Ethical Organisational Culture:

Leaders and employees following to a code of ethics create an ethical organisational culture. The leaders of a business may create an ethical culture by exhibiting the type of behaviour they would like to see in employees. The organisation can reinforce ethical behaviour by rewarding employees who exhibit the values and integrity that coincides with the company code of ethics and in turn disciplining those who make the wrong choices.

A positive and healthy corporate culture improves the morale among workers in the organisation, which may increase productivity and employee retention; this, in turn, has financial benefits for the organisation. Higher levels of productivity improve the efficiency in the company, while increasing employee retention reduces the cost of replacing employees.

Influence of Indian Culture on Business:

Culture has always been a predominant determinant of consumer behaviour. Culture denotes the ways of living of people, beliefs, values, customs, institutions, languages, technology, art and is considered as the sum total of knowledge, belief, art, morals, custom, and other capabilities and habits acquired by man as a member of the society. India, being the land of diverse cultures nurtured over ages has noteworthy repercussion on the psyche of consumers and their buying behaviour. Indian culture affects business in the following ways:

Globalization: The characteristic of adaptability will promote globalization.

Religious environment: Indian culture gives more importance to Dharma in every walk of life. Indian will always give importance to auspicious time to start new venture.

Growth of scientific methods: Veda postulates that the universe is the result of unfolding creative power. Indian culture teaches us to be open and receptive. So it welcomes new technology and methods.

Work culture: People working in an organization are like a family. They share each others joy and sorrow. This will promote better relations and help in achieving the company goals.

Social responsibility: Indian culture believes in 'Karma', i.e. good deeds give rewards and bad deeds punishment. This theory teaches business houses to perform their duties towards society.

Environmental protection: Indian worship plants and animals. This awareness towards environment will result in the protection of nature and maintain the ecological balance.

Role of Various Agencies in Ensuring Ethics in Corporations:

If corporations have to function ethically and serve not only their stockholders, but also cater to the needs of all stakeholders, there has to be both an internal system and an external framework kept in place to ensure these ideals. There are several companies that work ethically because their top brass, starting with the boards to directors and CEOs want them to be so. They know that running an organization ethically and as per the norms of corporate governance, will cost them money which cannot be retrieved in a short period. Investments on ethical practices bear fruit, but slowly, though surely. They have a long gestation period. Ultimately, such investment results in long-term stakeholder value.

Unit – III

Human Values & Business

Human Values:

Human Values reflect the sense of right and wrong in a person. They also refer to appropriate courses of action, values define what 'ought' to be in society. Trust and Affection are seen as foundational and complete values in a society.

Values are basic and fundamental beliefs that guide or motivate attitudes or actions. They help us to determine what is important to us. Values describe the personal qualities we choose to embody to guide our actions; the sort of person we want to be; the manner in which we treat ourselves and others, and our interaction with the world around us. They provide the general guidelines for conduct.

Formation of Values:

Socialization and Socialization strategies are means through which individuals learn how to behave within their culture, and the Human values are concepts we use to define ourselves as individuals and societies. More importantly, how can we develop the right socialization strategies in our schools, organizations, and communities?

- People's value systems include both terminal and instrumental values, which are developed and reinforced by both the culture in which they grow and the environment in which they live.

- Individuals form values as a result of socialisation from their parents, religious institutions, friends, personal experiences, and society.

- Individual values are influenced by our religious beliefs, social systems in place, and, to some extent, socioeconomic conditions.

- The terminal values develop over time, whereas the instrumental values are influenced by circumstances.

Social values:

Social values form an important part of the culture of the society. Values account for the stability of social order. They provide the general guidelines for social conduct. Values such as fundamental rights, patriotism, respect for human dignity, rationality, sacrifice, individuality, equality, democracy etc. guide our behavior in many ways. Values are the criteria people use in assessing their daily lives; arrange their priorities and choosing between alternative course of action.

Social value is the relative importance that people place on the changes they experience in their lives. Some, but not all of this value is captured in market prices. It is important to consider and measure this social value from the perspective of those affected by an organization's work.
Social value has a huge potential to help us change the way we understand the world around us, and make decisions about where to invest resources. By changing the way we account for value, we believe that we will end up with a world with more equality and a more sustainable environment.

Principles of Social Value:

- **Involve stakeholders** – Inform what gets measured and how this is measured and valued in an account of social value by involving stakeholders.
- **Understand what changes** – Articulate how change is created and evaluate this through evidence gathered, recognizing positive and negative changes as well as those that are intended and unintended.
- **Value the things that matter**– Making decisions about allocating resources between different options needs to recognize the values of stakeholders. Value refers to the relative importance of different outcomes. It is informed by stakeholders' preferences.
- **Only include what is material** – Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact.

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- **Do not over-claim** – Only claim the value that activities are responsible for creating.
- **Be transparent** – Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders.
- **Verify the result** – Ensure appropriate independent assurance.

Aesthetic Value:

Assigning a value to an object based on its appearance and emotional effect is known as aesthetic value. People tend to prefer beautiful things, and these things tend to be more expensive than similar items without an aesthetic component. Objectively assessing an item's aesthetic value can be difficult, but it is essential for determining its worth in general. Even though two identical homes differ only in size, location, and amenities, a Craftsman home may sell for considerably more than a generic manufactured home.

Organisational values:

Values provide a framework for making choices between desirable and undesirable responses. Values also refer to priorities that an individual assigns to multiplicity of goals. It thus provides direction to and determines intensity of individual responses. Stronger the value system more intense will be the action in pursuit of that value. In order for organisation to achieve unity of action amongst diverse employees it is imperative for them to articulate core values and seek adherence to those values by individuals. The core values of an organisation are derived from the vision and expectations of strategic stakeholders. As organisations struggle to survive in a highly uncertain and turbulent environment, they have no option but to carve out a space for themselves in the global economic order. Organisation cannot longer afford to remain passive recipient of environmental forces; instead their sustain. growth will depend on becoming active agents in transforming the environment to make it conducive to give expression to their ideas and intentions. It is these compulsions that have led most organisations to develop vision and articulate a set of values providing focus to their responses to the demands of internal and external stakeholders.

Importance of Organisational Values:

The importance of organisational values for organisations is shown even strongly now in the time of economic uncertainty then even before. Organisations use organisational values to inspire their employees as well as their customers. Organisational values are often discussed to be a powerful marketing tool, since clear organizational values are positively noted and they encourage potential buyers to buy or use company's product. It has been established by several authors that organizational values influence organizational structure, organizational culture, organizational identity, organizational strategy thus shaping organizational goals and means to achieve those goals. The importance of organizational values is even more stressed by MusekLešnik when he says that organization is just like a human; it makes decisions, does what it thinks its right, has legal limitations on what it can do, has moral limitations, cerates and implements its own rules and beliefs, it advances on the basis of its decisions, creates myths, legends and habits and so on.

Spiritual Values:

In today's time, all demonstrate points to humanity evolving towards the fuller alive expression of spiritual values. The values of truths, peace, love, righteousness, and non- violence are found in all major spiritual paths, these spiritual paths are also human values and the fundamental roots of a vibrant, healthy and viable work career.

Values are determined as something fascinating and worthy of esteem for their own sake. Human values are those values that help a person to live in harmony with the world. One should have respect for human values. With the collective business experience, it showed us that these five human values are the fundamental roots of vibrant, healthy and viable for individuals. For example:

- Peace fosters creative and wise decisions
- Truth fosters honest and trusts communications
- Non- violence fosters win collaborations
- Righteousness support high-quality work
- Love promotes self- less service based on caring for others well being.

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Value –crisis:

Today, the set-up of our society is likely to become more complex. During the present decades, speedy erosion of moral, social and spiritual values has been creating hurdles in the path of progress of the nation. It has also become a serious threat to the society. In the changed social set-up, the definition of good morals has been questioned. Today, newspapers, magazines and other news media are flooded with reports of crime, murder, agitation, violence immorality, corruption, bribery, self centered egoism, youth unrest, communal violence, cybercrime, etc. Everyone reads such occurrences which have adversely affected the development of knowledge, creative attitude, positive thinking, literature, culture and formation of well-balanced personality of the future generation.

A related dimension of the value crisis is the increasing respectability of selfish individualism. It takes the form of exclusive concern for personal gains without any consideration for the common
good. In every situation the guiding principle and the main question is, 'what is in it for me?'.
Another dimension of the value crisis at the individual level is the steep rise in the rights-consciousness, alongwith a steeper decline in the duty-consciousness The third dimension of this crisis is the common mentality of adopting double standards of value judgment, a much higher one for others and a much lower one for ourselves. Even the smallest mistakes of others do not escape our censorious scrutiny while we casually ignore or explain away our own wrongful conducts and malicious intentions.

Knowledge Management and Wisdom Management:

Many people mistakenly juxtapose knowledge for wisdom, as both are nouns and used in the English language. But the truth is that they are different. Sir Francis Bacon said "Knowledge is power" while Gautam Buddha, hold that "Wisdom is highest of all five virtues".

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Knowledge is the accumulation of information, learned through education or experience. On the other hand, wisdom is when you know how to apply your knowledge, for the benefit of others.

Knowledge:

The term 'knowledge' simply refers to the understanding or awareness, about a person, thing or subject, such as facts, skills, information, etc. It is the state of what you know about a particular topic. It is the familiarity with different objects, ways of doing things, places, cultures, events, facts, ideas, etc. It can be theoretical or practical proficiency gained over time through education or experience by learning, observing, researching, discussing, studying and so on.

Knowledge Management:

Knowledge management is the conscious process of defining, structuring, retaining, and sharing the knowledge and experience of employees within an organization.

As organizations evolve, expand into new areas, and define their approach to business, they develop significant institutional knowledge. This information is invaluable to the company. Imparting it to new or less experienced staff is vital for maintaining successful operations.

The primary goal of knowledge management is facilitating the connection of staff looking for information, or institutional knowledge, with the people who have it.

With practical knowledge management in place, organizations can spread information and raise the level of expertise held by specific individuals or teams to improve the efficiency of their practices.

It often refers to training and learning in an organization or of its customers. It consists of a cycle of creating, sharing, structuring, and auditing knowledge to maximize the effectiveness of an organization's collective expertise.

Importance of knowledge management:

Knowledge management is important because it boosts the efficiency of an organization's decision-making ability.

By making sure that all employees have access to the overall expertise held within the organization, a smarter workforce is built that is more able to make quick, informed decisions, benefiting the entire company.

Knowledge management allows innovation to grow within the organization, customers benefit from increased access to best practices, and employee turnover is reduced.

Wisdom:

Wisdom is a wider term than knowledge and intelligence. It is the quality of person to think, act or discern what is best, right, true and enduring. It is the application of common sense, knowledge and experience, at the right time, place, manner and situation so as to follow the best possible course of action. It develops the ability to judge and make beneficial and productive decisions in life.

Wisdom Management:

Wisdom management has a particular role or application area. In contrast to information and knowledge in the outer pane, the inner pane is associated with the process of updating the templates. This anology is similar to the change process of any sample or template. This process is based on detailed assessments of various aspects. Basically, organizational theorists have begun to seek something beyond and they are concentrated on the issue of how wisdom in organizations can better understood in management, leadership and decision making process. In addition, lately there has been an increasing interest toward the concept of wisdom management and especially, particularly in strategy context 'practical wisdom' has come to the foreground. Researchers suggest that, when considering the necessity of rational judgment, it is a requirement of having a capacity to reveal the counter-intuition, vision and humanistic skills of wisdom management.

Concept of Karma and its kinds:

Karma literally means action. Karma means "deed or act". Karma is the law of action and this law governs man‘s consciousness. Karma is a part of philosophy of the Hindus. The term came into being in Hinduism, based on the Vedas and Upanishads. One of the first and most dramatic illustrations of karma can be found in the great Hindu epic, the Mahabharata. The original Hindu concept of karma was transformed into the religious practices and later enhanced by several other movements within the religion, most notably Vedanta, Yoga, and Tantra.

To the Hindus, karma is the law of the nature or phenomenal cosmos that is part of living within the dimensions of time and space. Karma may differ on the basis of the time factor- past, present, and future. Consequence is the part of the action and the consequence always comes only after the action. Thus suffering is not the consequence of a wrong act, but an actual part of the act, although the consequence may be only experienced later. A soldier is sometimes wounded in battle, and in the excitement does not feel any pain. Afterwards, when he is quiet and away from the battle, he feels the pain. In this way, a man sins and feels no suffering, but later the suffering makes itself felt. The suffering is not separated from the wound, any more than the heat from fire, though that is experienced as a result.

Karma Yoga:

The word **‘Karma’** means action. So, Karma Yoga is the ‘Path of Action’. The practice of Karma Yoga means performing duties with detachment from the outcomes and results. As Lord Krishna in **Bhagavad Gita** says, “Do your duty without the concern to the fruit of it”.

According to Karma Yoga, one should perform his/her duties with excellence, 100 % dedication, right attitude and approach. For instance, while performing the actions, one usually thinks, “What will I benefit from this action?” Otherwise, the action is done with the aim of gaining acknowledgement or praise.

Karma Yoga is enjoying the process of carrying out a duty without thinking of the results (success or failure). Also, one should let go of the ego or the sense of ‘I’ while executing the action.

When a person carries out his daily tasks/duties with complete dedication, devotion and in a non-attached manner, it is known as Karma Yoga. The best way to practice Karma Yoga in daily life is not worrying or thinking about the fruits of the labour (results of the actions) but to continue to work with righteousness and commitment.

Principles of Karma Yoga:

- Right attitude
- Focus on action, not on motive
- Do your duty/dharma
- Always do your best
- Accept the outcome (both good and bad)
- Discipline of the job

Sakam Karma and Nishkam Karma:

There are two aspects to Karma Yoga - Sakam Karma and Nishkam Karma. Sakam Karma is to work with selfish expectations and your own interests in mind. Nishkam Karma on the other hand is working with unselfish/selfless motives.
One has to pay back all Karmas in his life or in future lives, good or bad. It could be good Karma, but if it is selfish it is a chain that binds you. Nishkam Karma also still binds one to the Karmic law. It doesn't matter if the chain is made of iron or gold, it binds in same way. Good and bad, both Karmas will bind. Of course negative Karma is harder, and good Karmas are softer.

Nishkam Karma means free or without desire. Karma comes from the root word “kama” which means desires. Karma comes from the root word "kriya" which means to do. In the act of Nishkam Karma you have no selfish expectation, you are only

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giving. Give with love, devotion and happiness. Nishkam karma is considered to be selfless action without even the subtle internal hope for a “thank you” or goodness returned.

Sakam karma means to act selfishly, or with personal gain and self-interest in mind. From Sanskrit, *sakam* means “together,” “jointly” or “simultaneously.” When acting out of sakam karma, an individual is acting with the expectation and motivation that good will be returned to him/her in this life. This concept is a central theme in the Bhagavad Gita and an important philosophical issue in Karma yoga.

Ultimately, sakam karma is considered attachment to the result of personal actions in life with motives of self-interest, whereas nishkam karma centers on actions a yogi takes within the world for the sake of others and not for self-benefit.

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Unit IV

Moral Issues in Business

Value based management, which means behaviour based on ethical principles & values, is a good formula for the long term health & success of every organisation. In fact, the practicing of ethical values in management is an essential prerequisite for both individual success & organisational efficiency. The foundation of the ethical organisation is mutual trust & respect. Employees are any organisation work hard not only for economic benefits but also for social & psychological will-being. A Violation of ethical principles is decision making by an organisation can have a deep impact on the employee's life & character.

Ethics **of financial management:**

The term "ethics of financial management" refers to the moral code of conduct that guides and governs the behaviour of professionals or managers. It mainly covers the principles and values an organisation should follow to maintain its competence in the industry, including integrity, credibility and fairness among its stakeholders.

In the corporate world, reputation is everything; it plays a crucial role in deciding which organisation is trusted and which is not. This is why all organisations must consider the importance of ethical standards when dealing with their stakeholders.

In fact, ethics plays a significant role in financial management, including the planning, controlling, financial modelling, credit management and performance evaluation of all economic activities within an organisation.

Moreover, financial management ethics involves other aspects of business life, like taking adequate measures to ensure employees and other persons of the establishment can meet their objectives while respecting the rules set by various regulatory bodies such as honesty, professional truthfulness, justice, respect and accountability.

Importance of ethics in the financial management process:

There are several reasons why ethics is essential in the financial management process.

For starters, it is an excellent ad for organisations wanting to maintain their reputation. When an organisation behaves ethically, it gains the trust of its stakeholders and customers.

In a similar context, when a business acts ethically, it will be able to receive more business from existing clients or attract new ones who are looking for ethical companies to work with.

The second one is that it can help with public growth and profitability because people in various markets are more likely to recommend a company they trust to have good relationships with, leading to increased sales and market share.

Ethics is essential in the financial management process is that it helps organisations avoid costly lawsuits that could impact their profitability or even put them out of business altogether. Ethics is one of the Pillars of Financial Success.

There are many ethical issues influence the financial management process, including:

- Financial fraud and corruption
- Employee theft or embezzlement
- Insider trading
- Conflicts of interest in investment decisions
- Market and wealth manipulation
- Accounting and transactions fraud
- Misrepresentation of financial statements
- Tax evasion and avoidance
- Stealing funds

Avoiding these are main challenges when it comes to ethics is the best way to ensure that the financial management process is ethical and trustworthy.

Ethical issues in Human Resource:-

Of all the organisational issues or problems, ethical issues are the most difficult ones to handle or deal with issues arise in employment, remuneration & benefits, industrial relations & health and safety.

Importance of Ethics in Human Resource:

Ethics is important to business in general & HR in particular for several reasons:

1. Ethics corresponds to basic human needs. It is man's basic nature that he desires to be ethical, not only in his private life but also in his business affairs where, being a manager, he knows that his decisions may affect the lives of thousands of employees. Moreover, most people want to be a part of an organisation which they can respect & be proud of, because they perceive its purpose & activities to be honest & beneficial to the society.

2. Values create credibility with the public. A company perceived by the public to be ethically & socially responsive will be honoured& respected even by those who have no intimate knowledge of its actual working.

3. Values give the management credibility with its employees. Values are supposed to be a common language to bring the leadership & its people together. Organisational ethics, when perceived by employees as genuine, create common goals, value & language.

4. Values help better decision making. Another point of great importance is that an ethical attitude helps the management make better decisions, that is decisions which are in the interest of the public, their employees & the company's own long term good, even though the decision making is slower.

5. Ethics & profit go together. A company which is inspired by ethical conduct is also profitable. Value driven companies are most likely to be successful in the long run, though in the short run, they may lose money.

6. Law cannot protect the society, ethics can. Ethics is important because the government laws & lawyers cannot do everything to protect the society. Technology develops faster than the government can regulate.

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Ethics and Marketing:

Task of marketers is to influence the behaviour of customer. Ethics are standards of moral conduct. Virtually all people prefer to act ethically. Marketing executives face the challenge of balancing their own best interests in the form of recognition, pay, and promotion, with the best interest of customers, their organizations, and society into a workable guide for their daily activities. In any situation they must be able to distinguish what is ethical from what is unethical and act accordingly, regardless of the possible consequences.

Behaving Ethically in Marketing

1. To reserve declining public confidence in marketing.
2. To avoid increases in government regulation
3. To regain the power granted by society
4. To protect the image of the organization

Ethics in Advertising:

Commercial advertising is sometimes defined as a form of 'information' and an advertiser as "one who gives information". This definition fails to explain advertisements from the advertisement, which 'compare, test and objectively evaluate the durability, safety, defects and usefulness of various products. Advertisements often do not include much objective information for the simple reason that their primary function is not that of providing unbiased information. The primary function of commercial advertisements rather, is to sell a product to prospective buyer.

Social effects of Advertising :

It has adverse effects on society in following ways –

1. Psychological effects of advertisement
2. Advertising as a waste
3. Advertising as market power.

Some ads improperly claim about the benefits of using the products or mislead/ misrepresented the facts, and thud, go against scientific evidence. The other important ethical issue is projecting women as sex control symbol. For example, showing in men shaving products is quite unwarranted. In the VIP men's undergarments as, a man is shown with lipsticks marks all over the body. Here, the advertisement indirectly/ directly and unfairly shows women as stereo type sex symbol. Various other ads also involve the women as sex symbol. The issue under discussion here it that how far it is ethical can proper to show women in irrelevant products. The advertising agencies should come to a common platform to debate and address these problems in a matter manner.

Advertising economics says that it provides information, maintains brand equity, supports the media, provides employment, reduces distribution costs, provides product utility and stimulates introduction of new products. Ethical issues include undue claims, wrong information and misrepresentation of facts. The basic questions, which can be raised across all countries, are such as the following –

1. Does advertising manipulate?
2. Degree of emotional appeals
3. Too much over exposure of advertising-privacy intrusion
4. Creative teams of ad-agencies sometimes miss utilized in creative efforts.
5. Advertising to children
6. Effects on values and life style such as materialism etc.

Emerging Ethical Concerns in Advertising and Promotion:

Advertising is one of the tools of marketing communication made to convey information, attract attitudes and prompt actions favorable to the advertiser. Advertisements and promotional activities have a lasting influence on target consumers. Advertisement tends to shape the behaviors, priorities and attitudes of consumers. Theoretically, the common marketing practice of ridiculing a rival service or product is considered unethical. Additionally ethical issues in advertising and promotions come in forms of mistreating women, promoting products to children, deceptive advertising, etc.

Very often, there is a blurred or thin line between unethical and ethical advertisements. What is seemed ethical to some businesses or consumers may seem unethical to others. Companies should exercise a cautious approach while finalizing their promotional activities because unethical promotional activities may backfire at times, prompting industry and consumers to move away from their products – which may defeat the very purpose of the previously mentioned activities.

Whistle blowing:

According to the National Whistle blowing Center, “a whistleblower is someone who reports waste, fraud, abuse, corruption, or dangers to public health and safety to someone who is in the position to rectify the wrongdoing.”

Whistle blowing is where workers report misconduct, most often seen at work, in order to protect the public. Whistleblowers can be employees, former employees, trainees, agency workers or members of Limited Liability Partnerships. The misconduct must affect, or have the potential to affect, the public, rather than being a personal grievance. Whistle blowing complaints typically fall into one of the following categories:

- Criminal offence
- Threat to an individual’s health and safety
- Real or potential damage to the environment
- Miscarriage of justice
- Breaking the law, which includes contractual obligations and health and safety regulations

At first glance, it might seem like whistle blowing is inherently ethical. After all, if your company is doing something wrong, you have a moral duty to alert the authorities of their wrongdoing. However, many individuals find themselves in a moral quagmire when they discover illegal activities or other forms of non-compliance within their organization.

The Benefits of Whistle blowing:

- **It’s ethical**
- **It protects your company**
- **It minimizes risks and costs**
- **It prevents wrongdoing**
- **It provides more detailed insight into issues**
- **It drives better communication and trust**

Whistle blower :

A whistle blower is anyone who has and reports insider knowledge of illegal activities occurring in an organization. Whistle blowers can be employees, suppliers, contractors, clients, or any individual who becomes aware of illegal business activities. Whistle blower, an individual who, without authorization, reveals private or classified information about an organization, usually related to wrongdoing or misconduct. Whistle blowers generally state that such actions are motivated by a commitment to the public interest. Although the term was first used to refer to public servants who made known governmental mismanagement, waste, or corruption, it now covers the activity of any employee or officer of a public or private organization who alerts a wider group to setbacks to their interests as a result of waste, corruption, fraud, or profit seeking.

Marketing truth and advertising: manipulation and coercive-

The claim that “advertising is manipulative and coercive; reflects a perspective often discussed and debated in the field of marketing and ethics. The treatment of advertising as manipulative and coercive can be understood as follows:

1. Handling :

- Advertising can be considered manipulative if it uses various psychological techniques to influence consumer behavior. These techniques can include appealing to emotions, creating a sense of urgency, and using persuasive messages to shape consumer perceptions.
- Some argue that advertisements can distort reality and present products or services in a way that makes them seem more attractive or useful than they really are. That misrepresentation can be considered a form of manipulation because it can make consumers make choices based on incomplete or misleading information.

2. Must:

- Coercion refers to advertising unnecessarily pressuring consumers to make choices they would not otherwise make. Advertisements that use fear, peer pressure or other tactics to create a sense of obligation or necessity can be considered coercive.
- Advertising can also create dissatisfaction with the current situation and promote a consumer culture where people are constantly motivated to look for new and better products. This consumerist mindset can be considered compulsive, forcing people to spend beyond their means.
- However, it is important to note that not all advertising is manipulative or coercive, and the effectiveness of advertising can vary greatly depending on various factors:
  - Ethical advertising: Many companies and advertisers adhere to ethical standards that emphasize transparency, truthfulness and respect for consumers. Ethical advertising aims to provide correct information and respond to consumers.
  - The choice of an informed consumer: Advertising can be a valuable source of information for consumers and help them make informed choices. When advertisements provide clear and relevant information about products and services, they can empower consumers to make decisions that meet their preferences and needs.
  - Legal standards: Many countries have established regulations and guidelines to control advertising practices and protect consumers from misleading or harmful advertising. The purpose of these regulations is to prevent manipulative and coercive tactics in advertising.

3. Liability of advertisers:

Advertisers have a responsibility to balance their goals with ethical considerations. Building brand trust and long-term customer relationships are often seen as more valuable than short-term profits achieved through manipulative tactics.

In conclusion, whether an ad is manipulative or coercive is a matter of perspective and may depend on the specific practices and ethics of individual advertisers. While some advertising can certainly be manipulative and coercive, ethical advertising aims to provide valuable information and create a positive relationship between companies and consumers. The development of ethical boundaries of advertising practices is often influenced by public opinion, legal regulations and society's expectations

Trade Secret:

A trade secret can be any business information that derives its value from its secrecy**.** It can be a method, a technique, a process, research and analysis data, a formula, a recipe, a device, an instrument, etc. Some popular examples include the Coca Cola Formulation or KFC's 11 herbs and spices.

To qualify for trade secret protection, information must generally meet the following criteria:

1. **Secrecy:** The information must not be generally known or readily accessible to the public or competitors.
2. **Commercial Value:** The information must provide a competitive advantage or economic benefit to its owner, i.e., it derives value from its secrecy.
3. **Reasonable Efforts:** The owner must take reasonable measures to maintain the secrecy of the information.

Trade secrets can be very valuable when you have developed new technology, designed original products, created the perfect recipe, or compiled a wealth of data. Generally, trade secrets are used to:

- Protect an invention through means other than patent protection or industrial design;
- Protect valuable business information that is not formally protected through other IP rights;
- Protect business information indefinitely**,** as long as the trade secret remains confidential.

Insider trading:

Insider trading refers to transactions in a company’s securities, such as stocks or options, by corporate insiders or their associates based on information originating within the firm that would, once publicly disclosed, affect the prices of such securities. Corporate insiders are individuals whose employment with the firm or whose privileged access to the firm’s internal affairs gives them valuable information.

Insider trading is quite different from market manipulation, disclosure of false or misleading information to the market, or direct expropriation of the corporation’s wealth by insiders. It also should be noted that transactions based on unequally distributed information are common and often legal in labor, commodities, and real estate markets, to name a few.

Insider trading, also known as insider dealing, is the malpractice of selling or buying securities such as equity and bonds by the insiders of a company, which includes the employees, directors, executives and promoters.

To prevent such acts and to promote fair trading in the market for the interest of common investors, the stock market regulator Sebi (the Securities and Exchange Board of India) has prohibited the firms to purchase their own shares from the secondary market.

Insider trading is one of the most serious malpractices that exist in the market.

Insider trading basically refers to the buying, selling or trading of shares or other securities (such as bonds or stock options) of a listed company using unpublished price-sensitive information (UPSI) that can affect the stock price that has not been disclosed yet.

Insider:

The Sebi defines an ‘insider’ as someone who has access to price-sensitive information about a particular company's shares or securities. An insider can be anyone who has been associated with the company in some way during the six months preceding the insider trade.

That person could be an employee, a director, relative, banker or legal counsel to the company or even an official of the stock exchanges, trustees, employees or of an asset management company that worked with the company.

Insiders, who have access to confidential and exclusive information about the issuer of a particular security or stock, benefit from buying or selling undisclosed securities before they fluctuate in price.

Equal Employment Opportunity :

Equal Employment Opportunity is the concept of equal opportunity in an organization to achieve or maintain fair employment. The core EEO definition (or equal opportunity for employment) is that all employees should be fairly treated when regarded in different decisions on employment, such as hiring, promotion, termination, compensation, etc.

EEO refers to the principle that maintains equal accessibility of the chances for employment through merit. The acquisition of these opportunities should be free of harassment and discrimination within the employment area. EEO refers to the concept of equal opportunity within the organization in the realization of fair employment. Fair treatment of workers should be enhanced within diverse employment decisions such as promotion, termination, and hiring. EEO regulations prevent discrimination of employees by their employers under various features such as sex or race. In society, the role of equal employment opportunity is the enhancement of fairness in promotion, hiring, and other organizational practices. EEO assists in the development of a multitalented workforce. Both federal and state laws foster the goals of EEO. Its significance assists in the reduction of potential barriers that might prevent particular groups of individuals from venturing into a workplace. Therefore, it acts as a crucial element for thriving diversity.

Any potential employee, who protects his interests during all decisions on employment, shall have a right to equal opportunities or EEO. This includes:

Hiring and recruitment
Compensation and pay scale
Termination
Employment requests
Benefits, bonus and incentives
Conditions of employment
Demotions
Promotions/Transfers
Disciplinary measures
Attendance and leave management
Dressing and appearance

Advantages of Equal Employment Opportunity:
The EEO principle helps employees to feel treated equally and fairly. This greatly promotes other factors in HRM, such as employee engagement, improved performance, customer satisfaction, etc

1. Improves overall recruitment funnel: An open and transparent recruitment process may be established when the organization undertakes the concept of equal employment opportunity in HRM. If potential employees know the unfair decisions relating to the recruitment procedure, they apply to better prospects during such a venture.

2. Boosts customer satisfaction: The clients of an organizations are firmly assured when employees contribute well to the organization's success, as it lays down sound guidance to ensure a safer and friendly workplace for all. A workplace that promotes employee well-being may achieve further milestones and produce excellent results that ultimately lead to better service to clients, thus increasing customer retention and satisfaction.

3. Promotes employee engagement: The EEO law allows employees to interact openly and communicate without discrimination between peers regarding race, gender, religion or hierarchy. It does not only promote respect for colleagues, but it also creates an open and friendly culture that supports and encourages the work of colleagues, and adds value to the organization's diversity.

Affirmative Action:
Affirmative action is a policy initiative in which a person's nationality, sex, religion, and caste are taken into account by a company or a government organisation to extend employment or education opportunities. By initiatives like these, the government plans to increase opportunities provided to underprivileged citizens.

Affirmative action is directed at increasing the number of people, from certain parts of the society, within business or educational institutions or in areas where their presence is low. It can also be looked at as eliminating or bringing down decimations against a particular set or group of people.

Affirmative action policies are aimed at increasing opportunities for those groups of people which have been neglected by the society. They are mainly focused on providing employment and education opportunities.

Affirmative action policies are also aimed at reducing gender diversity in big corporate houses. In February 2015, the Securities & Exchange Board of India (SEBI) initiated rules to mandatorily have at least one woman director.

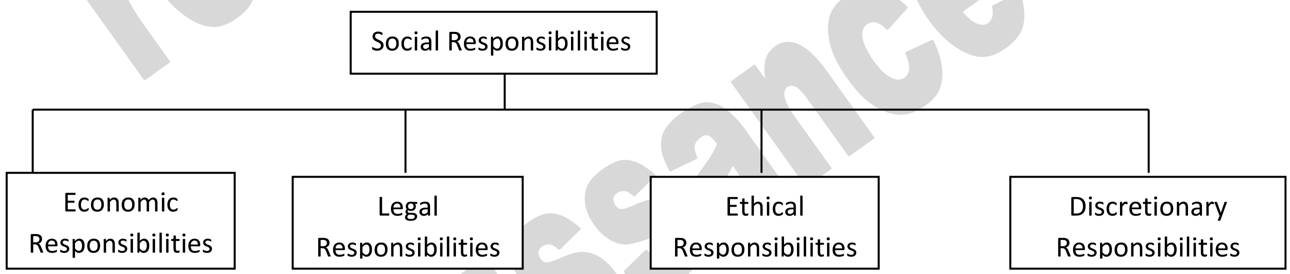
Data shows that only one-third of all listed companies have women directors while the rest of them have only male members. The aim of the government is bring gender diversity in big corporate houses.

In the education sector, the admission process is much simpler for students who belong to the underprivileged group. This is aimed at giving equal opportunities to everybody. By doing so, the government plans to educate more and more people irrespective of their background.

Unit- V

Corporate Social Responsibility

The term Corporate Social Responsibility (CSR) focuses on the idea that a business has social obligations above and beyond making a profit and follows from a decision by management to expand traditional governance arrangements to include accountability to the full range of stakeholders are described above. Companies can best benefit their stakeholders by fulfilling their economics, legal, ethical and discretionary responsibilities. The term corporate citizenship denotes the extent to which business meet the legal, ethical, economic and voluntary responsibilities placed on them by their stakeholders.



Social issues with which business corporations have been concerned since the 1960s may be divided into three categories:

a. Social problems external to the corporation that were not caused by nay direct business action like poverty, drug, abuses, decay of the cities and so on.
b. The external impact of regular economic activities. For example pollution caused by production, the quality, safety, reliability of goods and services, deception in marketing practices, the social impact of plant closures and plant location belong to this category.
c. Issues within the firm and tied up with regular economic activities, like equal employment opportunity, occupational health and safety, the quality of work life and industrial democracy.

DEFINITION OF CSR

"Corporate Social Responsibilities is the continuing commitment by business to behave ethical and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

Corporate Social Responsibility is an integrated combination of policies, programs, education, and practices which extend throughout a corporation's operations and into the communities in which they operate.

Corporate Social Responsibility is achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment.

NEED FOR SOCIAL RESPONSIBILITIES

1. The Iron Law of Responsibility
2. To fulfill Long term Self-interest
3. To Establish a Better Public image
4. To Avoid Government Regulation or Control
5. TO Avoid Misuse Resources and Economic Power
6. To Convert Resistances into Resources
7. To Minimize Environment Damage

Companies implement CSR by putting in place internal management systems that promote

- Adherence to labor standards by corporations and their business partners;
- Respect for human rights;
- Protection of the local and global environment;
- Reducing the negative impacts of corporations operating in conflict zones;
- Avoiding bribery and corruption; and;
- Consumer protection.

Strategy planning and CSR: strategy planning is an action plan that guides the company and its approach to CSR. It aligns social responsibility with corporate mission and business strategy, sets clear goals, allocates resources, engages stakeholders and measures impact. Such a structured and purposeful approach not only increases the effectiveness of CSR initiatives, but also contributes to the company's long-term success and positive impact on society and the environment.

CSR Strategy planning :

- Setting Goals: Strategic planning helps a company define clear and measurable CSR goals. These goals must be in line with the mission.CSR initiatives are not ad hoc, but well defined and relevant.
- Business Strategy Alignment: Strategic planning ensures that CSR initiatives are closely aligned with the overall business strategy. Corporate social responsibility should complement the company and its core functions and goals.
- Allocation of Resources: Strategic planning enables a company to allocate the necessary resources, both financial and human, to support CSR initiatives.
- Stakeholder engagement: A key aspect of CSR is engagement with stakeholders such as. Strategic planning helps identify and prioritize which stakeholders are most important to the company and how to work with them effectively.
- Risk Management: Strategic planning involves identifying and mitigating potential risks associated with CSR initiatives. This includes legal, reputational and operational risks.
- Measuring impact: Strategic planning identifies key performance indicators and metrics to measure the impact of CSR initiatives. Those measurements are necessary to evaluate the effectiveness of CSR activities and make informed decisions.
- Long-term sustainability: CSR is not a one-time project; it is an ongoing commitment. Strategic planning helps ensure the sustainability of corporate social responsibility activities in the long term.
- Communication and Transparency: Strategic planning includes a communication strategy that describes how the company will share CSR achievements and progress with stakeholders. Transparency is critical to building trust and credibility.
- Compliance with laws and regulations: Strategic planning ensures compliance of CSR initiatives with local and international laws and regulations. This helps the company avoid legal trouble and negative publicity.

- Competitive Advantage: When effectively integrated, CSR can provide a competitive advantage by enhancing a company's image, attracting socially conscious customers and investors, and differentiating it from competitors
- Innovation and Adaptation: Strategic planning encourages innovation and adaptation in CSR initiatives. Companies can continuously evolve and expand their CSR efforts to respond to changing social and environmental needs.

Relationship of CSR with corporate sustainability

Sustainability and corporate social responsibility (CSR) are two terms that often get talked about as the same thing. They are similar but not the same; they belong together but are very much their own individual entities.Both CSR and sustainability focus on how an organisation impacts the environment and society around it.

CSR is more concerned with looking back and reporting on what an organisation has done, whereas sustainability looks forward and is more focused on the company's ability to survive long into the future. It's a wider business and world view of longer-term economic, social and environmental issues and how best the company can navigate those going forward.

Sustainability covers both short and long-term goals, with investment on forward-thinking business practises, product development and sustainable growth. Both CSR and sustainability cover three main areas: environment, society and economy. Where CSR is focused on reporting on these areas, sustainability is focused on acting on these areas.

CSR and sustainability are linked but not the same. CSR is a shorter-term reporting initiative whereas sustainability focuses on the future growth and survival of the business while supporting the environmental, social and economic elements that are reported on in CSR.

Meaning of Corporate Governance –

The management role is basically related with running the business operations efficiently and effectively – the product design, procurement, personnel management, production, marketing and finance functions. But by contrast, the governance role is not concerned with running the business of the company but with giving overall direction to the enterprise with the aim of satisfying legitimate expectations for

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accountability and regulation by interest beyond the corporate boundaries. All companies need governing as well as managing.

The process of corporate governance with principal activities –

- Direction
- Executive Action
- Supervisor
- Accountability

Nature of Governance –

All human societies need governing, where power is exercised to direct, control and regulate activities that affect people's interests. Governance involves the derivation, use and limitation of such powers. It identifies rights and responsibilities, legitimizes actions and directions, accountability. Corporation governance is concerned with the process by which corporate entities are governed; that is, with the exercise of power over the direction of the enterprise, the supervision and control of executive actions.

Developing a Code of Conduct –

- Identify key behaviors needed to adhere to the ethical values proclaimed in code of ethics.
- Include wording that indicates all employees are expected to conform to the behaviors specified in the code of conduct.
- Obtain review from key members of the organization: Be sure that the legal department reviews the drafted code of conduct.
- Announce and distribute the new code of conduct.
- Review which values produce the top three or four traits of a highly ethical and successful product or service in your area.
- Identify values needed to address current issues in your workplace.
- Identify any values needed, based on findings during strategic planning.
- Consider any top ethical values that might be prized by stakeholders.
- Collect from the above steps, the top five to ten ethical values, which are high priorities in your organization –
    a. Trustworthiness: honesty, integrity, promises keeping, loyalty.
    b. Respect: autonomy, privacy, dignity, courtesy, tolerance, acceptance.
    c. Responsibility: accountability, pursuit of excellence.

d. Caring: compassion, consideration, giving, sharing, kindness, loving.
e. Justice and fairness: procedural fairness, impartiality, consistency, equity, equality, due process.
f. Civic virtue and citizenship: law abiding, community service, protection of environment.

- Obtain review from key members of the organization.
- Announce and distribute the new code of ethics (unless you are waiting to announce it along with any new codes of conduct and associated policies and procedure).
- Update the code at least once a year.
- Note that you cannot include values and preferred behaviours for every possible ethical dilemma that might arise.

Corporate Governance and Corporate Social Responsibility

Corporate Governance and Corporate Social Responsibility are concerned with concentrating on ethical business practices. These mechanisms have a common interest at their core as they are both concerned with transparency, efficient disclosures, sustainability, and the kind of impact that an organization has on all the stakeholders and consequently, the environment. It can be observed that both of these mechanisms:

Increase the value for shareholders as they disclose reports that increase the overall transparency of reporting which leads to gaining the confidence and trust of the public at large.

Aid in the development of the surrounding area of the business activity.

Sustain and enhance the existing relationship with stakeholders.

Preserve a prominent market position by engaging with the stakeholders and addressing their concerns and grievances.

According to section 135 of the Companies Act,2013, CSR is compulsory for all companies whether government or private and applies to:

- every company
- its holding company
- its subsidiary company
- foreign company

Provided they meet the following fiscal criteria:

- Net Worth > 500 Crore
- Turnover > 1000 Crore
- Net Profit > 5 Crore

CSR committee:

If a company fulfils the requirements of Section 135 of the Companies Act, 2013 then they are required to form a CSR committee to fulfil their CSR obligations under law.

A. **Constitution of the CSR Committee:**

  - Minimum 3 directors are necessary to form a CSR Committee.
  - One among these directors must be an independent director.
  - However in unlisted public companies or private companies where an independent director is not required, their CSR committees can be without any independent director
  - In Private companies which have only 2 directors, CSR Committees shall have only 2 directors.
  - In a foreign company, the CSR committee shall have atleast 2 persons. Among these, one person shall be a resident of India who must be authorized to accept on behalf of such foreign company. The other person shall be nominated by the foreign company accordingly.

B. **Duties of CSR Committee:**

- Policy creation to implement the CSR activities according to the Schedule VII of the Companies Act, 2013
- Allocate and audit money for CSR activities.
- Oversee the execution of the CSR activities for which money has been allocated so that it is not misused.
- Regular assessment of profits of the company and ensure that atleast 2 percent of it is spent on CSR activities annually
- Issue an annual report on various CSR activities undertaken by the company.
- Ensure local issues and regions are prioritized or promotion of local regions and people.
- Ensure that CSR polices are made public by issuing them on company's official website in accordance with the format approved by the committee.

CSR activities as per schedule VII:

The various CSR activities under Schedule VII according to Section 135 of the Companies Act 2013 and Companies (Corporate Social Responsibility Policy) Rules 2014 are:
Eradicating hunger, poverty & malnutrition

i. Promoting preventive health care & sanitation & making available safe drinking water
ii. Promoting livelihood enhancement projects as well as education & employment among children, women & the differently abled.
iii. Promoting gender equality and empowerment of women, setting up orphanages, old age homes, day care centers and other facilities for senior citizens.
iv. Promoting measures for reducing inequalities faced by SEBCs, OBCs, SCs and STs.
v. Providing proper hospital facilities and medicines at a subsidized rate and to improve maternal health to reduce child mortality

vi. Providing hospital and dispensary facilities with a focus on proper sanitation in order to fight various health related diseases and issues like human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases.
vii. Ensuring sustainability and an ecological balance in the environment, safeguarding flora & fauna, animal welfare, agro forestry, conservation of natural resources & maintaining quality of soil, air & water.
viii. Enhancement of vocational skills by employment
ix. Protection of national heritage, art & culture by working towards restoration of historically important buildings & sites & works of art.
x. Promotion & development of traditional Indian arts & handicrafts.
xi. Introducing measures for welfare of veterans of armed forces, war widows & their dependents.
xii. Training to promote rural/nationally recognized/Olympic sports.
xiii. Contribution to PM's National Relief Fund or any other Central Government for development of socio-economic issue and SCs, STs, OBCs and minorities.
xiv. Contributing towards Central Government approved technology incubators within academic institutions like universities and colleges.
xv. Development of slum and rural areas.

Fines and Penalties for Non-Compliance:
Failure of a company to comply with CSR spending provisions or transferring and utilizing the unspent amount out of the CSR funds, a company will be punishable with a fine which may increase to Rs. 25 lakh but not less than Rs. 50,000.

The Act also provides for punishment of company officers who default in compliance. It states that every such officer of the company will be liable to for a punishment with a fine which may increase to Rs. 5 lakh but not less than Rs. 50,000 or imprisonment for a maximum term of three years of with both.

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CSR model:

- ❖ **Carroll's pyramid CSR model:**

This is one of the leading **CSR** models. It is formally known as the model of Carroll's four-part pyramid. The major focus of the model is to embrace the complete spectrum of expectations that society has from a business, defining them and dividing them into different categories. The model can be represented with the help of diagram:

- ❖ **Intersecting Circle** CSR **model:**

The Intersecting Circle **CSR** model is very different from the pyramid model. The major point of differentiation between the two models is that:

1. it recognizes that there is a possibility of interrelationships between the different domains of **CSR** and second and,
2. it rejects the hierarchical order of importance.

Pictorial representation of the model:

❖ **Concentric Circle** CSR **model:**

The Concentric Circle model which is also known as the CON model shares some similarities with Carroll's Pyramid and IC model. For instance, the CON model also states economic responsibility as one of the core social responsibilities. Also, like the IC model, the CON model also emphasizes the interrelationships among different responsibilities.

But in contrast to the Pyramid model and IC model, the CON model states that non-economic social responsibilities are the one that embraces core economic responsibilities.