Social and Ethical Responsibilities of Management: Theory and practice

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Abstract: *Corporate social responsibility (CSR) has become the buzzword among companies in the information technology sector. Ethics deals with internal values that are a part of corporate culture and shapes decisions concerning social responsibility with respect to the external environment. An ethical issue is present in a situation when the actions of a person or organization may harm or benefit others. Many Indian IT firms have realized the important role of corporate social responsibility in improving a company's image. They have denoted a sizable chunk of their profits for the betterment of the society. Notable among them are Polaris Software Labs, NIIT, and Satyam info way (Sify). Today many organizations are involved in social activities. Since the expectations for the society have changed, organizations have become more aware of their social responsibilities. A careful analysis of arguments for and against the involvement of organizations in social welfare is necessary to determine whether an organization should implement social initiatives.*

Key words: *corporate social responsibility, ethics, development, management*
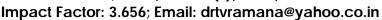
Introduction:

The industrial revolution provided the impetus for development of various management theories and principles. Pre classical theorists like Robert Owen, Charles Babbage, Andrew Ure, Charles Dupin and Henry R. Towne were made some initial contributions that eventually led to the identification of management as an important field of inquiry. This led to the emergence of approaches to management in classical, behavioral, quantitative and modern. The classical management approach had three major branches like scientific management, administrative theory and bureaucratic management. Scientific management emphasized the scientific study of work methods to improve worker efficiency. Bureaucratic management dealt with the characteristics of an ideal organization, which operates on a rational basis. Administrative theory explored principles that could be used by managers to coordinate the internal activities of organizations.

The behavioral approach emerged primarily as an outcome of the Hawthorne studies. Mary Parker Follet, Elton Mayo and his associates, Abraham Maslow, Douglas McGregor and Chris Argyris were the major contributors to this school. They emphasized the importance of the human element which was ignored by classical theorists in the management of organisations. They formulated theories that centered on the behavior of employees in organisations. These theories could easily be applied to the management of organisations.

The quantitative approach to management focuses on the use of mathematical tools to support managerial decision-making. The systems theory looks at organisations as a set of interrelated parts. According to the contingency theory, managerial action depends on the particular parameters of a

given situation. One important emerging approach to management thought is Theory Z. This approach combines the positive aspects of American and Japanese management styles. All these views on management have contributed significantly to the development of management thought.

As discussed earlier organisations function more effectively if they operate as open systems, interacting with and responding to changes in the external environment, managers must understand the nature of this environment.

The external environment of an organisation consists of the mega environment (or general environment) and the task environment as shown. The mega environment reflects the major trends in the society's within which the organisation operates. These societies have the following components: technological, economic, sociocultural, and international. The task environment consists of specific external elements with which an organisation interacts while conducting its business. These include customers and clients, competitors, suppliers, labour supply and government agencies. The task environment, which depends largely on the products and services offered by the firm and its business location, may vary from firm to firm while a firm may not be able to directly influence its mega environment, it can certainly influence its task environment.

Working with in a large and complex external environment affects a business in terms of its social responsibility, its social responsiveness and its ethical behavior. This paper describes all these aspects in detail.

Social and ethical responsibilities of management:

In the early 20th century, business firms were predominantly concerned with maximizing their profits. In the 1970s, social activists began to question business enterprises singular objective of profit maximization. They argued that since businesses derive their existence from society, they have some obligations towards it. The concept of social responsibility became popular after the publication of Howard R. Bowen's social responsibilities of business. Bowen argued that business enterprises should consider the impact of their decisions on society.

Before discussing how an organization can be socially responsible, let us look at some of the widely accepted definitions of social responsibility. A survey on the social responsibility as follows:

Corporate social responsibility is seriously considering the impact of the company's actions on society." Of the 439 executives surveyed, only 68 percent of the respondents agreed with the definition.

According to Keith Davis, "social responsibilities refer to the business man's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest."

According to Kenneth R. Andrews, "By social responsibility, we mean the intelligent and objective concern for the welfare of society that restrains individual and corporate behavior from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contribution to human betterment, variously as the latter may be defined."

External environment of an organization

The definitions given by Davis and Andrews suggest that managers must take some steps for the betterment of society. However, these do not elaborate the specific errors in which the managers have to take action.

The operational definition of social responsibility is: "Social responsibility contends that management is responsible to the organization itself and to all the interest groups with which it interacts. Other interest groups such as workers, customers, creditors, suppliers, government and society in general are placed essentially equal with shareholders." According to the above definitions, managers should pay attention to the welfare of workers, customer's needs and their safety, the interests and rights of creditors, government regulations and the obligations of the organisation towards society as a whole.

Most companies follow the principles of amoral management. To conduct business in an ethical manner, managers should be aware of the factors that affect ethical behavior. Through mechanisms such as top management commitment, code of ethics, ethics committees, ethics audits, ethics training and ethics hotlines, managers can inculcate ethical behavior in the employees.

Ethics is difficult to define in a precise way. In a general sense, ethics is the code of moral principles and values that governs the behaviors of a person or group with respect to what is right or wrong. Ethics sets standards as to what is good or bad in conduct and decision making. Ethics deals with internal values that are a part of corporate culture and shapes decisions concerning social responsibility with respect to the external environment. An ethical issue is present in a situation when the actions of a person or organization may harm or benefit others.

Corporate social responsibility in the Indian sector:

Corporate social responsibility (CSR) has become the buzzword among companies in the information technology sector. Corporate social responsibility denotes the commitment of organizations to uphold the interests of direct

stakeholders and also behave in an environmentally and economically responsible manner. Many Indian IT firms have realized the important role of corporate social responsibility in improving a company's image. They have denoted a sizable chunk of their profits for the betterment of the society. Notable among them are Polaris Software Labs, NIIT, and Satyam info way (Sify).

Polaris: Polaris Software Labs, one of the leading IT companies, spent approximately Rs 21 lakhs on CSR during 2002-02. Polaris decided to provide education to poor children. In 1997, it created the Ullas Trust. This trust has, since then, provided scholarship to more than 2000 students from 200 different schools. The trust aims at developing self confidence in economically backward children. It tries to spot the academically talented ones among the economically underprivileged students studying in classes 9 through 12. The criteria for selecting such students includes both merit (a student should score minimum of 70 percent) and family income (should be below Rs 36,000 per annum). The trust is supported by financial contributes from Polaris, which contributes from Polaris, which contributes 60 percent, and its associates, who contribute 40 percent.

Polaris is also contemplating building a network of Ullas Chapters to extend the present scholarship scheme and to motivate the younger generation to expel in their chosen fields.

NIIT: NIIT, a leader in the IT training field, is making attempts to provide IT education to the children from the economically weaker sections of society. Over the past 12 years, NIIT has made around one lakh students IT-literate

through its Bhavishya Jyothi Scholarship scheme. Unmanned computers kiosks were placed at various locations to enable slum children to surf the net and learn more about the Web. Till date, 30 such kiosks have been set up at various places in the country. NIIT has also created special packages like I-write for physically challenged people. It has also created a Computer Assisted Teaching and Rehabilitation Program (CATERED), specially designed for spastics and visually challenged children. Thus, NIIT has brought the light of learning in the lives of both poor and physically challenged children.

SIFY: Sify attempts to empower the weaker sections of society through its social service organisation Alambana. Sify's Alambana Vidya scheme helps young boys and girls who are unable to pursue their education due to financial constraints. It provides them free IT education and also helps them find suitable jobs. Students selected under this scheme undergo a three-month, full-time computer course, which helps them obtain work as data entry operators, helpers in cyber cafes and in retail stores such as Food World.

In January 2001, when Gujarat was hit by an earth quake, Sify reacted promptly by re-establishing it's inter connectivity within hours. Sify earmarked two areas where it could contribute effectively to society. The first was to act as an interface between the people of Gujarat and their relatives staying elsewhere and facilitate their communication through e-mail. The second area was to make a plea for financial contributions from users in India and abroad through its portal Sify.com. People who were worried or anxious to find about their friends or

relatives were asked to contact Sift.com via e-mail. Sify then physically delivered e-mail messages to homeless victims in various relief camps, noted their responses e-mailed them to their friends and relatives. The company helped many people trace their near and dear ones. Through it appeals for donations. Sify successfully raised Rs 22.79lakhs, which were later handed over to the Indian Red Cross Society.

These examples show that IT firms are recognizing the importance of being good corporate citizens as it not only enhances their public image but also helps them to create a cordial relationship with society.

Conclusion

Indian IT firms are recognizing the importance of being good corporate citizens as it not only enhances their public image but also helps them to create a cordial relationship with society Today many organizations are involved in social activities. Since the expectations for the society have changed, organizations have become more aware of their social responsibilities. A careful analysis of arguments for and against the involvement of organizations in social welfare is necessary to determine whether an organization should implement social initiatives.

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