

BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY: A HOLISTIC APPROACH

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ABSTRACT: *Management has always been a part and parcel of everyday life, may it be at home or office. It has never been limited to the walls of organization rather it has been crucial in every part of the society. Management has come into action in all organizations, where a group of human beings assemble for a common purpose, through the management of resources, finance and planning, priorities, policies and practice. However, at times it has been seen that management has crossed limits and harmed various sections of the society by misleading and exploiting them. The paper focuses on the business ethics policies and standards to be followed by companies which help them to socially acknowledge the society through their participation. The paper has tried to create a connection between ethics and spirituality. It also provides a brief concept of corporate social responsibility to be practiced by all leading companies and organizations.*

KEYWORDS: Business ethics, Corporate social responsibility, Holistic approach.

INTRODUCTION

"Mind is very restless, forceful and strong, O Krishna, it is more difficult to control the mind than to control the wind" ~ Arjuna to Sri Krishna

“Management is what managers do”, the term management is never an invention of the modern society, but it had its existence dated back to the evolution of mankind. Management has always spread its aura beyond organizations, enterprises, administration, direction, leadership, etc. It has always been difficult to define management, due to its shifting nature, as it covers all elements of society viz. individuals, home, office, factory industry and even government. Famous Chinese general Sun Tzu, in the 6th century B.C., explained that for managerial purposes management recommends to be aware of and to act on strengths and weaknesses of managers, organization and foes.¹ Chanakya in his Arthashastra wrote about various strategies, techniques and management theories which give’s an account on the management of empires, economy and family. Thus, management is organizing and coordinating of activities of an enterprise, individual, home, government, etc. in accordance with the set of policies and objectives to be achieved.

Strongly pointed out by Peter Drucker in his latest work, states that before 1930, management covered all topics, fields and subjects, but today it has been limited only to business management, covering nothing more than monetary gains and profits. However management does not exist only in business enterprises but it also covers NGO’s, hospitals, government, banks, and other organizations again it is not restricted to only these units but it also covers management of one’s own self and his mind. Therefore, the art of performing a thing productively with maximum utilization of resources is management. Without proper management it’s hard to maintain coordination in our day to day activities. As the society is

developing the function of managing business is turning into managing finances; from individuals to companies to government; focusing more on group dynamism and social development. It is becoming hard to maintain the code of conduct and ethical practices in work, which is becoming a subject of concern. So management and institutions are trying to make efforts to create awareness about business ethics and corporate social responsibility among the various elements of the society. Organizations are trying to establish a paradigm between management and spirituality for which it is seeking help from philosophers and spiritual gurus.

Existence of spirituality has always been necessary in order to drive people towards their righteous deed. Rather, it has always existed in the form of business ethics and corporate social responsibility. Business ethics in today's modern society is motivating employees to avoid breaking criminal laws at one's workplace, so that the company's reputation is not at stake and nor the society is hurt. Corporate social responsibility on the other hand is striving to attain what is right without any set of rules and actions.

Paradigm

Spirituality and management is like hot ice, because both are apart like North Pole and South Pole; as one is considered to be sacred and the other to be secular. Popularly spirituality means meditating or performing *aratrikam* in temples or some ritual in church or mosques; whereas management is restricted to business management connecting it to money, finance and profits. However by correcting one's notion towards these two words, it becomes helpful to link spirituality and management. Sister Nivedita, in her introduction to the work of Swami Vivekananda, the great preacher of Karma, said that "the workshop, the study, the farmyard, the field is as much a fit place for the worship of God in man as temple, church or mosque."² Thus spirituality is no different but development of our inner being for happiness, peace and fulfillment, and is practiced in everyday life. Management is also not concentrated only to business, but covers every field and elements of society.

Hence spirituality exists in management only when the approach towards management becomes holistic. This approach is basing management on spiritual culture and ethos. The changes are being noticed in different parts of the world; American management is adopting Karma Capitalism by embracing Indian philosophy in a big way. Phrases from Bhagwad Gita are popping up in management circles. Self mastery classes are being held, to boost the leaders and managers. Big chunks like Ford, Godrej, Crompton Greaves, and MTNL are adopting concepts of Vedic management. The famous book Bhagwad Gita has always been a foundation and helpful source to enlighten on all managerial techniques leading us towards harmonious and blissful state of affairs. It provides all that is needed to raise the consciousness of man to the highest possible level.

Therefore, to interlink spirituality and management it is necessary to cooperate with invisible almighty power to manage people. The very idea of servant – leader is to be dropped and acknowledging people in public so as to be promoted. Spirituality is no more to be seen in a narrow sense, rather it has to focus on all forces operating in local and global context. As integrating spirituality and management will always help one to experience God as a person at work and get related to him through faith and love, thereby bringing a new meaning to the world of management, empowering oneself and others: and making the workplace a better place to live in. thus the social and personal humanism provided by the faith, vision brings management and spirituality together on the same common meeting ground.

BUSINESS ETHICS

Growth in the faith is a personal process of ongoing dialogue between God and the human being. Authentic Evangelization in a way is creating committees of love, friendship, freedom, justice, and harmony for focusing on drawbacks and ills of society. Management through spirituality is embedding employees to enunciate ethics and social responsibility in their work.

Concepts

Ethical principle provides the foundation for various modern concepts for work, business and organization, which broaden individual and corporate priorities far beyond traditional business aim of profit. In simple words, ethics is set of rules or code of conduct and ethical is relating to moral principles, virtues, and guiding principles. However, the question which arises here is, "Can a business be ETHICAL?" there is no answer to this question but to a great extent, it is tried to be answered through the following approaches. When business thinks of being ethical it usually means the one of the following concepts:

- Avoid breaking the criminal law in one's work related activity.
- Avoid action that may result in civil law suits against company.
- Avoid actions that are bad for the company image.

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1. Art of War, Chinese military treatise attributed to Sun Tzu.
<http://www.puppetpress.com/classics/ArtofWarbySunTzu.pdf>
 2. Speech of Sister Nivedita on work of swami Vivekananda.
<http://www.advaitaashrama.org/cw/content.php>

Business is especially concerned with these three things since they involve loss of money and reputation. Being a costly affair they look up to philosophers to teach employees the basic understanding of morality. The basic approach of deriving the ethics from profit motive lies on two dictums: the weaker version says that good ethics results in good business, which means moral business practice are profitable. The stronger version says that good business results in good ethics, which says that if employees demand ethics they will work only for those who meet these demand make the environment morally stronger.

No legal mandate can decide the limit of morality. Corporation that assume an obligation beyond the law, either in their corporate code or in practice take on responsibilities that most outsiders would designate as optional. A good example is set by mission statement of Ben & Jerry's ice-cream in America – "to operate the company in a way that actively recognizes the central role that business plays in the structure of society by initiating innovative ways to improve the quality of life of a broad community – local, national and international.

Element

The requisite elements necessary in an organization to adopt the spirituality are:

- A strong overt commitment by organizations leaders to high standard of integrity is crucial and pre-requisite to have a trickledown effect.
- Coherent leadership and consistent application of ethical policies is essential.
- Basic elements for its success is that it includes code of conduct, professional practice standards, criteria for proper use of organization assets, obligation for accountability, transparency, standards for dealing with confidential and privileged information.
- Policies and procedures for regular management reporting independent external scrutiny of policies identify areas that need improvement. Policy for protected reporting of misconduct to ensure the organization credibility.

Need for Spirituality in Business

The unethical and scrupulous practices always demands spirituality and ethical support from management. The various unethical practices carried on in organizations are:

- Dishonesty, withholding information, distortion of facts
- Misleading or confusing communications or positioning or advertising
- Manipulation of people's feelings
- Deception, trickery, kidology, rule-bending, fooling people
- Exploitation of weakness and vulnerability
- Excessive profit
- Greed
- Anything liable to harm or endanger people
- Breach of the Psychological Contract - the Psychological Contract represents trust and expectations
- between people in a relationship - notably within employer/employee, relationships, extending to other
- organizational relationships too - (aside from Psychological Contract theory, specialized theory within
- Transactional Analysis helps explain this aspect of trust and expectations in human relationships)
- Avoidance of blame or penalty or payment of compensation for wrong-doing
- Inertia-based 'approvals' and 'agreements' (in which action proceeds unless objected to)
- Failing to consult and notify people affected by change
- Secrecy and lack of transparency and resistance to reasonable investigation
- Coercion or inducement
- Harming the environment or planet
- Unnecessary waste or consumption
- Invasion of privacy or anything causing privacy to be compromised
- Recklessness or irresponsible use of authority, power, reputation
- Nepotism (the appointment or preference of family members)
- Favoritism or decision-making based on ulterior motives (e.g., secret affiliations, deals, memberships, etc)
- Alienation or marginalization of people or groups

- Conflict of interests (having a foot in two or more competing camps)
- Neglect of duty of care
- Betrayal of trust
- Breaking confidentiality
- Betrayal of trust
- Breaking confidentiality
- Causing suffering of animals
- 'By standing' - failing to intervene or report wrong-doing within area of responsibility (this does not give license to interfere anywhere and everywhere, which is itself unethical for various reasons)
- Unfairness
- Unkindness
- Lack of compassion and humanity

Ethics policy is concerned with providing the assurances essential to all trust based relationships. It not only regulates business conduct and personal acts but also offers an important form of liability limitation. It constitutes implicit organizational promises of performance against the set standards whether inspirational or disciplinary. These policies because of their inherent concern with ethical norms and policies can foster legitimate dissent by those who are at odds with the organization's performance against its set standards. Managers and leaders need to understand that ethics and integrity policies provide a crucial expression of the organization. Ethical standards necessarily have significant implication for their role as gate keeper in relation to those standards.

Advantages

As never before, there are huge organizational advantages from behaving ethically, with humanity, compassion, and with proper consideration for the world beyond the boardroom and the shareholders:

- **Competitive advantage** - customers are increasingly favoring providers and suppliers who demonstrate responsibility and ethical practices. Failure to do so means lost market share, and shrinking popularity, which reduces revenues, profits, or whatever other results the organization seeks to achieve.
- **Better staff attraction and retention** - the best staff want to work for truly responsible and ethical employers. Failing to be a good employer means good staff leaves, and reduces the likelihood of attracting good new-starters. This pushes up costs and undermines performance and efficiency. Aside from this, good organizations simply can't function without good people.
- **Investment** - few and fewer investors want to invest in organizations which lack integrity and responsibility, because they don't want the association, and because they know that for all the other reasons here, performance will eventually decline, and who wants to invest in a lost cause.
- **Morale and culture** - staff who work in a high-integrity, socially responsible, globally considerate organization are far less prone to stress, attrition and dissatisfaction. Therefore they are happier and more productive. Happy productive people are a common feature in highly successful organizations. Stressed unhappy

staffs are less productive, take more time off, need more managing, and also take no interest in sorting out the organization's failings when the whole thing implodes.

- **Reputation** - it takes years, decades, to build organizational reputation - but only one scandal to destroy it. Ethical responsible organizations are far less prone to scandals and disasters. And if one does occur, an ethical responsible organization will automatically know how to deal with it quickly and openly and honestly. People tend to forgive organizations who are genuinely trying to do the right thing. People do not forgive, and are actually deeply insulted by, organizations who fail and then fail again by not addressing the problem and the root cause. Arrogant leaders share this weird delusion that no-one can see what they're up to. Years ago maybe they could hide, but now there's absolutely no hiding place.
- **Legal and regulatory reasons** - soon there'll be no choice anyway - all organizations will have to comply with proper ethical and socially responsible standards. And these standards and compliance mechanisms will be global. Welcome to the age of transparency and accountability. So it makes sense to change before you are forced to.
- **Legacy** - even the most deluded leaders will admit in the cold light of day that they'd prefer to be remembered for doing something good, rather than making a pile of money or building a great big empire. It's human nature to be good. Humankind would not have survived were this not so. The greedy and the deluded have traditionally been able to persist with unethical irresponsible behavior because there's been nothing much stopping them, or reminding them that maybe there is another way. But no longer, part of the re-shaping of attitudes and expectations is that making a pile of money, and building a great big empire, are becoming stigmatized. What's so great about leaving behind a pile of money or a great big empire if it's been at the cost of others' well-being, or the health of the planet? The ethics and responsibility zeitgeist is fundamentally changing the view of what a lifetime legacy should be and can be. And this will change the deeper aspirations of leaders, present and future, who can now see more clearly what a real legacy is.

Spirituality has always influenced ethics. Books like Gita, has always guided the laws. It has always provided with thoughts of detachment, to select wisdom over number, to have an intrinsic motivation and to work with peace and sacrifice.

CORPORATE SOCIAL RESPONSIBILITY

The problem with Corporate Social Responsibility is that there is no clear definition about what is exactly encompassed. Some say that it is nothing more than caring for the environment and other argues for the social development. Critics claim that it is vague. However, management is turning in favor of CSR to inbuilt spirituality in their employees. Government of all leading economies is also trying to provide provisions CSR to companies and provisions. For ex. India is trying to make a mandatory law for contributing 2% of net profit of companies on CSR, however which has been converted into voluntary contribution. Making an effort to define CSR, philosophers have termed it as responsible business, where business is seeking help through spirituality to do right things for the society. By adapting the

concept of CSR, management is trying to be concerned about the nature, society, public and employees. It can better be explained through various cases, as below:

Business is always seen to be the biggest enemy of the environment, as it extracts the greatest toll of energy, creates air and water pollution, releasing of toxic waste, deforestation, etc. so through CSR it is expected that company should perform such activities like environment friendly techniques, adopting recycling, using solar power, etc. By providing special benefit to the society as building parks, schools, hospitals, community hall, etc. The other approach calls for responsibility towards one's own employees. Making provisions for creating a friendly environment in the workplace, providing them with appropriate diet and facilities, provision for safety, acknowledging him for his contribution, etc.

Thus, CSR includes corporate responsibility, corporate citizenship, sustainable responsible business, corporate social performance and corporate sustainability. It induces the management to perform such activities which does not break the discipline and decorum of the society. CSR has always proved to be beneficial for the management as it always creates a positive attitude towards work with a sense of spirituality, which makes the leaders believe that they are linked to the external power. By creating a sense of wisdom, and promoting interpenetration and interconnection of spirituality and corporate life, the development of private affairs and well-being gets connected to the society's institutions and its development. CSR helps the company to maintain its goodwill which indirectly helps to gain more profit and provides stability to both the company and society. In today's exploration, its getting tougher to provide sharp definition for CSR, but through the last achievements and changes in management it can be inferred that CSR, is nothing more than an open ended question "What is good to be", and answer to it is, "Good things are to be done in good business" and vice-versa. However modernity's pretension to precision while appropriate in some context does not always apply in social sciences.

HINDRANCES TO ETHICAL BUSINESS

Ethics can never be thought to anybody; rather it is something which one inculcates from his family and society. So to train employees and management to be ethical and spiritual is always a tough job, and it comes with its own limitations and drawbacks, as discussed below:

- Limited view regarding spirituality and management. Professionals usually practice the mechanism of "insulation", keeping spirituality and management in two separate compartments. Thus making it hard to be implemented.
- Even people professing faith in god lacks in integral development, as they never practice what they preach.
- Even among believers there is a confusion and conflict of values. One notices an insufficient knowledge of faith careerism, self cent reduces and erosion of genuine traditional values by a transnational culture created by media.
- It is a time taking and costly process for business to shift from market economies to the process of humanization.

- The growing rate of inflation and recession at times forces people to adopt unethical practices for earning their living.
- At times it is also criticized on the ground of being vague and a form of delusion which denies accepting the reality.
- The criticism also extends to the practice of using authority and power by management and leaders to impose spiritual and religious beliefs in employees.
- Lastly, it can also be used as a form of control by which management can manipulate their employees.

Futuristic Approach

Spirituality in management is becoming a taboo subject and several countries are showing interest in it. Western countries are following various mythological book and eastern texts to adopt the ethical code. The Vedic style of management is being adopted and has become the new age mantra for the CEO's of many leading companies. Various books in this context has already been published like, "Liberating the Corporate Soul", by Richard Barnet, "Seven Spiritual Laws of Success", by Deepak Chopra, "Power of Positive Thinking", by Normen Vincent Peale, "God is my CEO", by Larry Julien, and "What would Buddha do at Work", by Franz Metcalf and BJ Gallagher Hateley.

Various high profile businessmen like Subhas Chandra Goyal, Chairman of Zee TV, Adi Godrej, chairman of Godrej industries, Indu Jain, he chairman of Bennet & Coleman ltd., R P Nandy, creative head of Pristish Nandy Communications and many more are now having regular spiritual practices. Top B-schools are also holding sessions on self mastery classes to help managers to boost their leadership skill and find inner peace amidst hectic life schedules. Spirituality is having a great growth potential and is going to be a key for a company's success in near future. Though facing certain hurdles it has become a futuristic aspect and is going to be dominant in day to day working of individuals, family, enterprises, companies, NGO's, banks, hospitals, government, etc.

CONCLUSIONS

As famously quoted in Gita, "The supreme lord is situated in everyone's heart. OArjuna and is directing the wanderings of all living entities, who are seated as on a machine, made of the material energy." There is no doubt that spirituality is susceptible to such abuses, but that does not refute the key message of the new literature, that, we might find new ways of working with one vital existential question in the context of one working lines. As, much as we need to beware of the pitfalls, workplace spirituality can prove emancipator and enable individuals to explore new relations with work. To make people spiritual and aware of their social responsibility is getting tougher on the part of management, but still they are continuously striving to attain it, as unscrupulous, insensitive and reckless attitude of the business will affect it reputation.

Growth in the faith is a personal process of the ongoing dialogue between god and human being. Spiritual and ethical economic progress depends on the health of the underlying social system and lasting competitive advantage comes from defining success by both economic and

social impact. Defined at its best, spirituality, ethics and responsibility should never be imposed by the government; rather it should be readily recognized by business leaders as a business imperative, as mandatory imposition may lead company to resort to lat camouflaging activities to meet such requirements. Thus existence of spirituality and management is to be like two sides of coin, creating an interdependence and integration of both, in a pluricultural and religious context to become a effective agent for the building up of a new humanity of peace, fellowship and justice which is the reality of God's kingdom for all people.

“He who shares the wealth generated only after serving the people, through work done as a sacrifice for them, is freed from all sins. On the contrary those who earn wealth only for themselves eat sins that lead them to frustration and failure.”

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Business Ethics look at ethical philosophy, moral or ethical problems and deal with issues concerning the moral and ethical rights, duties and corporate authority between a corporation and its shareholders, workers, clients, media, government, provider and dealer. Ethics are connected to all discipline of organization including accounting information, human resource management, sales and marketing, fabrication, logical belongings information and talent, global business and financial system.Â For example, an industrial chemical plant has a responsibility not only towards its customers, but also towards the shareholders and the board of directors, and to those people who live in the surrounding area.