

BUSINESS ETHICS AND SOCIAL RESPONSIBILITY-NEED OF THE MANAGEMENT

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ABSTRACT

Is there a difference between business ethics and social responsibility? Are the two compatible or mutually exclusive? This paper raises questions about the overlap and reciprocally supportive interface between business ethics and social responsibility, as well as about their mutual exclusivity. It isolates several specific ethical and social responsibility topics for further exploration. Finally, this paper considers some of the implications of this debate for supply management professionals.

Key Words: Social Aspect, Ethics and Management.

INTRODUCTION:

The objective of this paper is to encourage debate and exploration regarding the interface between ethics and social responsibility and to further the definition of the role that supply managers play in promoting excellence in both areas. The next two sections introduce both the ethics principles and standards and the social responsibility principles to provide a base for comparison and discussion throughout the rest of this proceedings. Information on ethical standards is presented first.

Principles and Standards of Ethical Supply Management Conduct.

- Encourage adherence to an uncompromising level of integrity.
- Heighten awareness and acceptance of appropriate conduct.
- Convey the principles and standards which the supply management profession considers just, fitting and correct.
- Cover major domestic and international supply management issues.
- Provide insight for handling difficult day-to-day issues.

Principles of supply management conduct are derived from three principles:

1. Loyalty to your organization.
2. Justice to those with whom you deal.
3. Faith in your profession.

Principles of Social Responsibility.

Supply management is a key contributor in the development and implementation of social responsibility standards for an organization and can impact the supply chain both “upstream” and “downstream.” It identifies the following reasons for the development of the principles:

- Increase supply management’s awareness and provide tools to supply management professionals for the development of a proactive supply management social responsibility program
- Create a set of principles applicable across social, sector, organization (public, private and nonprofit) and country boundaries
- Provide “one more voice” to the importance of social responsibility in its many forms and applications
- Complement existing standards or be used as a starting point from which to develop a set of standards unique to the needs of the organization

Ethics and Social Responsibility. It is clearly impossible to do a one-on-one comparison between ethical standards and social responsibility principles if, for no other reason, than there are twelve ethical standards and seven principles for social responsibility. Nevertheless, a side-by-side look at the standards and principles provides the opportunity to make some initial comparisons and begin to question their compatibility or mutual exclusivity:

Ethical Standards	Social Responsibility Principles
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Perceived impropriety	Community
Responsibilities to the employer	Diversity
Conflict of interest	Environment
Issues of influence	Ethics
Confidential and proprietary information	Financial responsibility
Supplier relationships	Human rights
Reciprocity	Safety
Applicable laws	
Small, disadvantaged and minority-owned businesses	
Professional competence	
National and international supply management conduct	
Responsibilities to the profession	

Buying organizations have the ability to influence and/or demand both ethical behavior and social responsibility from their suppliers, but should they? When it comes to ethics, an implicit agreement of long-standing exists that ethical behavior is not only desirable but required in domestic business transactions. Any debate stems from doing business globally wherein the ethics standard recommends being “especially sensitive to customs and cultural differences with respect to social and business behavior and issues of influence.” Influencing or demanding social responsibility from suppliers has no such caveat and poses such questions as:

- Is it ethical to influence the social responsibility of suppliers?
- Is it ethical to demand, by way of contract language, socially responsible behavior from suppliers?

Ethics. Perhaps, the first thing that becomes apparent in comparing the ethics standards and the social responsibility principles is that “ethics” are embedded in the social responsibility principles. Under ethics, the social responsibility principle states:

- Abide by your organization’s code of conduct Because of the direct reference, compatibility is openly indicated between this social responsibility principle and ethical standards, in general.

Diversity. The ethical standard for small, disadvantaged and minority-owned businesses seems to relate to the social responsibility principle of diversity. The commentary for the ethical standard, “encourage support for small, disadvantaged and minority-owned businesses recommends specific activities to stimulate growth in this segment of the supply base. The social responsibility principle includes:

1. Proactively promote purchasing from, and the development of, socially diverse suppliers
2. Encourage diversity within your own organization
3. Proactively promote diverse employment practices throughout the supply chain

Because the social responsibility principle is much broader than the ethical standard, a direct relationship is not as well defined as that concerning ethics and questions begin to emerge.

- Is this ethical standard compatible only with the first item under the social responsibility principle?
- Are the second two items of the social responsibility principle mutually exclusive?
- Can you be ethical and demand, as a condition of a contract, that a supplier ensure diversity within its organization?
- Can you go beyond encouraging diversity and demand, as a condition of a contract, that a supplier have a diversity-supplier program in place?
- If mandates such as these are placed in contracts, how does this square with the ethical standard on supplier relationships that demands impartiality?

Community. The first principle of Social Responsibility is community defined by:

1. Provide support and add value to your communities and those of your supply chain
2. Encourage members of your supply chain to add value in their communities

Many organizations donate to community organizations and have developed written policies encouraging employees to volunteer in community service. The principle, however, demands going beyond the boundaries of your own organization and encouraging members of the supply chain to add value in their communities. To meet this principle, should organizations:

- . Develop statements reflecting their tenets that community support is a good idea?
- . Demand that suppliers adhere to the buying organization's written policies?
- . Require suppliers to have their own policies and programs supporting their communities?
- . Request that suppliers donate to community organizations?
- . Set goals and mandate that suppliers volunteer in community service to meet these goals?

If an organization goes beyond encouraging community support and begins requiring specific supplier activities, does this principle retain its compatibility with ethical standards or does it become mutually exclusive? How, for example, would these mandates affect the ethical standards concerned with impartiality (Supplier Relationships), avoiding the appearance of impropriety (Perception) and avoiding any activity that might influence, or appear to influence, supply management decisions (Issues of Influence)?

Human Rights. The social responsibility principle on human rights provides fertile ground for debate and is described as follows:

1. Treat people with dignity and respect.
2. Support and respect the protection of international human rights within the organization's sphere of influence.

3. Encourage your own organization and its supply chains to avoid complicity in human or employment rights abuses.

While there may be no argument regarding the compatibility between ethical standards and social responsibility principles regarding supporting and respecting human rights and treating people with dignity and respect, how far does an organization go in encouraging its supply chains to avoid complicity in human or employment rights abuses?

- Does a United States' company have the right to impose U.S. standards in developing countries?
- Is it ethical to prohibit child labor when the only means of support for a family is the 12-year old child?

The Role of Supply Management. Ethics is a well-established arena that has received both attention and support from large and small organizations in the U.S., as well as in other countries. Social responsibility has long been a concern in large multi-national companies and in many countries outside the United States, but not an open debate comparable to the ethics discussions. Past transgressions, public criticism and a global economy have served as a wake-up call to the United States regarding the importance of social responsibility. As public awareness increases, organizations worldwide must integrate social responsibility into their business practices at least to the same degree that they have incorporated ethics.

Whether the standards for ethics and principles for social responsibility are compatible or mutually exclusive, supply management professionals play a pivotal role due to their sphere of influence throughout the supply chain. Supply management professionals are key to helping their organizations identify opportunities and methods to support social responsibility while at the same time ensuring alignment with ethical standards. Supply management professionals are being called upon to:

- . Ask the hard questions
- Develop and implement socially responsible practices in the supply chain
- . Maintain ethical standards, avoid issues of influence and prevent the appearance of impropriety
- Promote the achievement of excellence in ethical behavior and in social responsibility
- Reconcile the actions taken in the name of social responsibility with the ethical standards which the supply management profession considers just, fitting and correct. Clearly, it is extremely difficult to create a set of strict guidelines that will work for every organization, across each standard and principle, in every situation, and in every country within which it may conduct business. However, the importance of ethical and socially responsible behavior demands attention and proactive commitment from the most senior to junior levels within the organization and across the supply chain.

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