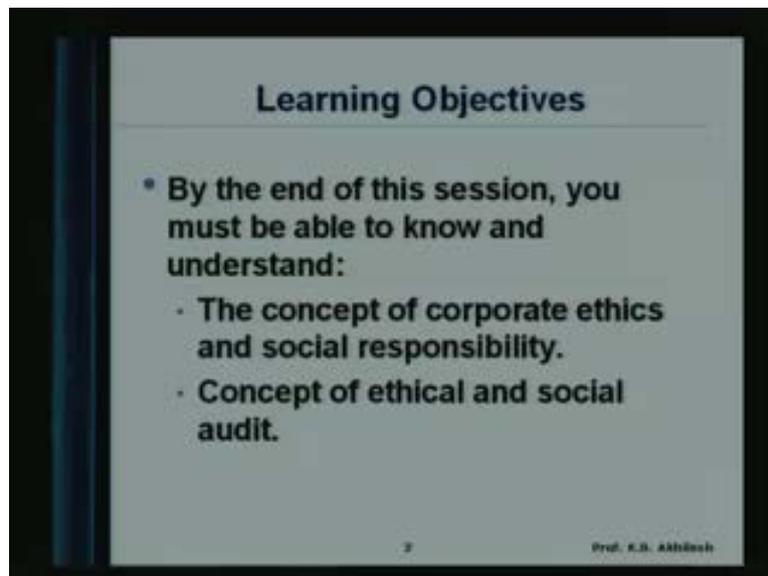


Concept of Management and Evolution of Management Thought
Prof. K. B. Akhilesh
Department of Management Studies
Indian Institute of Science, Bangalore

Lecture - 17
Management and Society: Social Responsibility and Ethics - II

Hello in our last lecture, we looked at different dimensions of ethics and how organizations respond to the ethical issues both within the organization and creating an environment of ethical behaviour and ethical practices. Today, we will continue our discussion about the management and society and look at more social responsibility and ethics aspect.

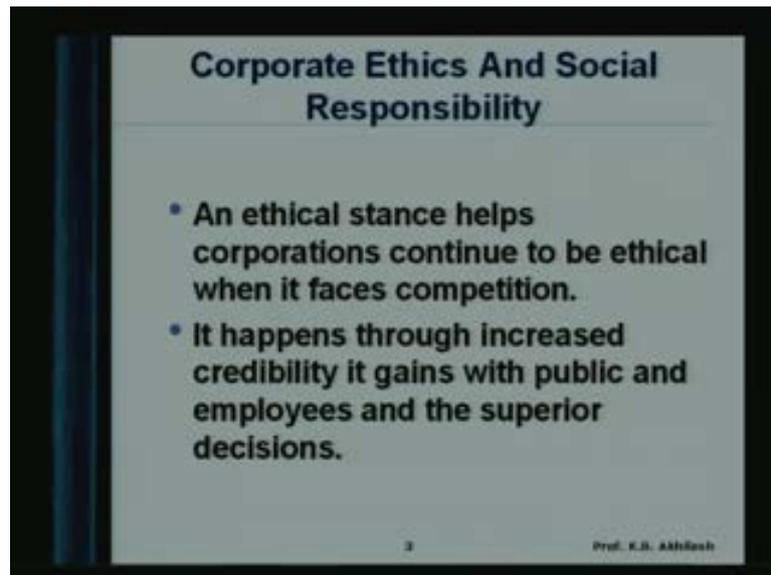
(Refer Slide Time: 01:54)



At the end of this lecture, basically you must be able to know and understand the concept of corporate ethics and social responsibility and concept of ethical and social audit. As we are talking about ethics in relation to social responsibility, organizations need to have not only the concern for the society, not only to have concern for the people who are working for the organizations, concern for all the stakeholders but all these concerns must be articulated in terms of a code of conduct. The code of conduct which is established people are aware people accept and also initiate several new actions as corporate response to the societal problems. I think in this context, we need to see the corporate social responsibility and the assumption is an ethical stance helps corporations continue to be ethical, when it faces competition, what is

most important is the business as we talked earlier go through a cycle of ups and downs, when business is good or when business is bad organizations need to stand on its core values and what they considered as good for all. So it happens through increase credibility, it gains within the public and employees for its superior decisions.

(Refer Slide Time: 02:52)

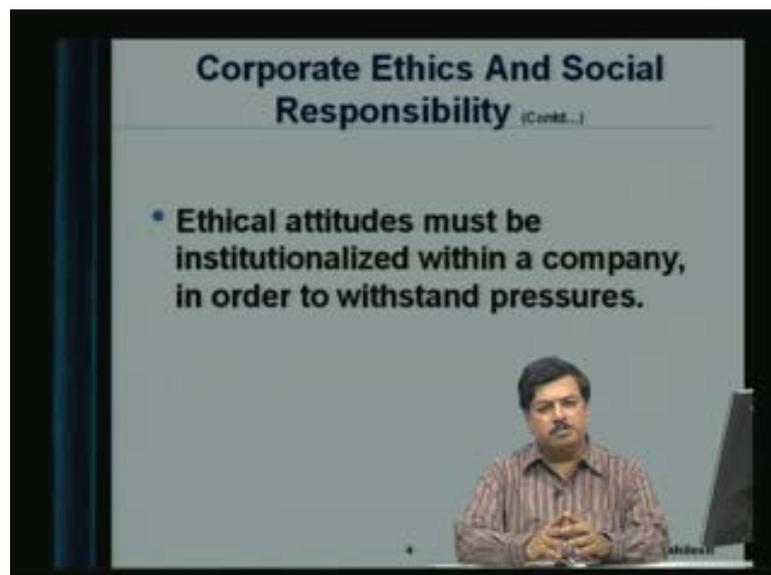


Corporate Ethics And Social Responsibility

- An ethical stance helps corporations continue to be ethical when it faces competition.
- It happens through increased credibility it gains with public and employees and the superior decisions.

3 Prof. K.B. Ahluwalia

(Refer Slide Time: 03:36)



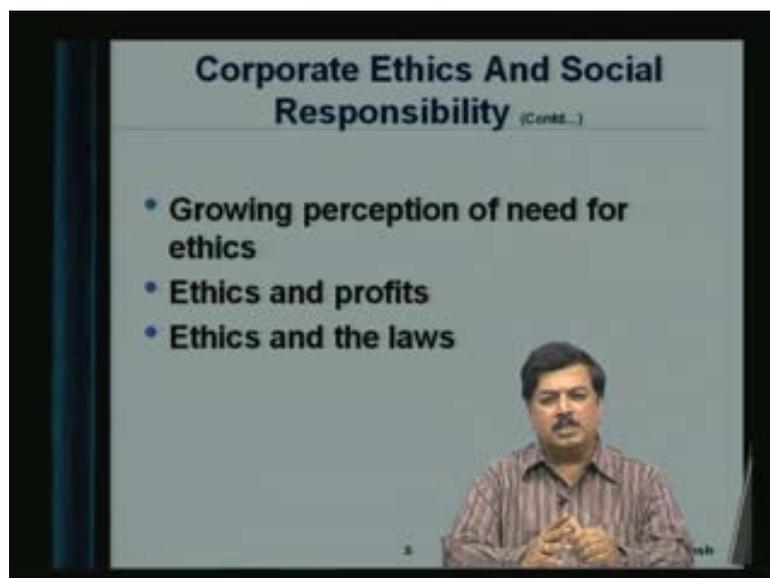
Corporate Ethics And Social Responsibility (Contd...)

- Ethical attitudes must be institutionalized within a company, in order to withstand pressures.

4

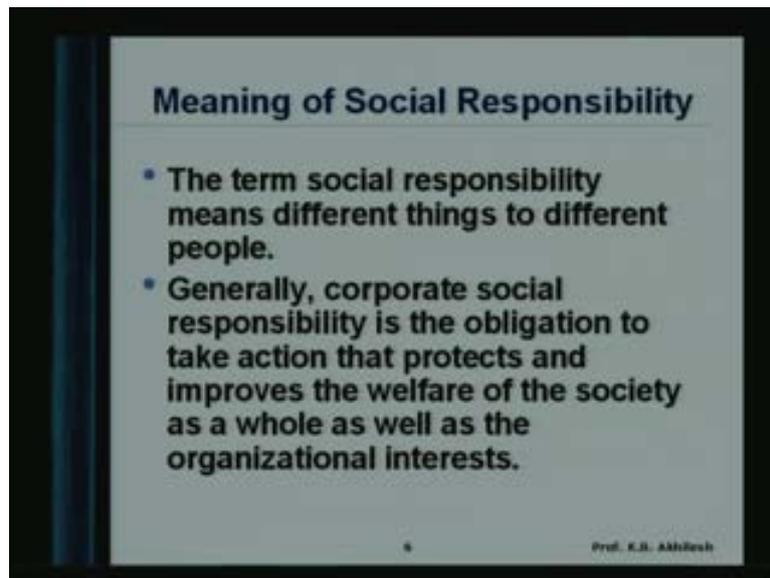
So as we go along we will explore this dimensions and we also see the ethical attitudes must be institutionalized within a company in order to withstand pressures. Otherwise, people may take short term actions or they may say no, no, no, I was not too sure and that is how I responded to the situation. So it is in that sense ethics is called dharma and we are talking about the basically corporate dharma. The corporates what they need to do in order to sustain its stands, when the environment is not very clear in terms of what is right time and what is wrong. So these things have to be define internally and there is a growing perception of the need for ethics and particularly, the external organizations governing bodies, it could be we are seeing a then like many agencies are coming like SEBI in the capital markets or for, for example that we need to have some controlling authorities.

(Refer Slide Time: 04:22)



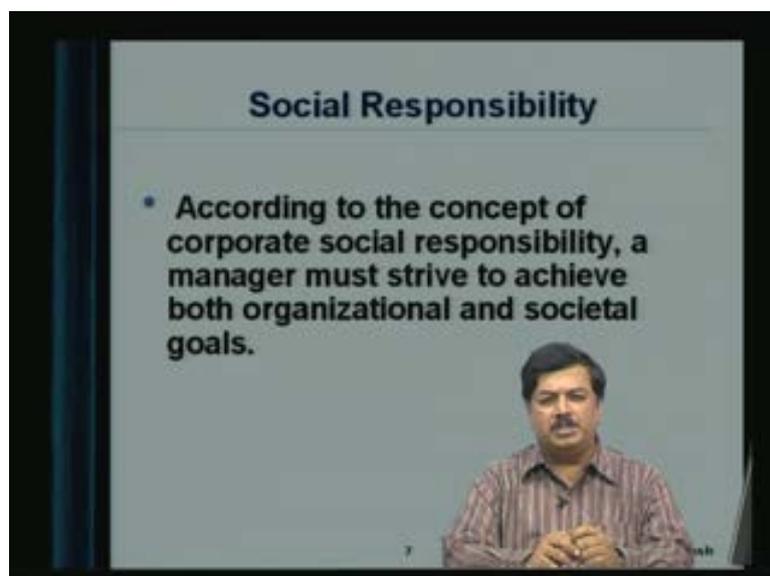
So the question is that the ethics need to be established to be enforced both externally as well as internally. So this is the growing perception about this. Another important thing is when it comes to the profits, when things are good organizations may not really bother about the other factors like capacity to pay, the value for money and such things. So it may be a kind of a short time profiteering because of the monopoly or because of the control over the unique resources and also the ethics and the laws where we want the organizations to go by what is there in the law but also the spirit of the law and creating opportunities for people to take more proactive actions not just going by the what is written in the law.

(Refer Slide Time: 05:44)



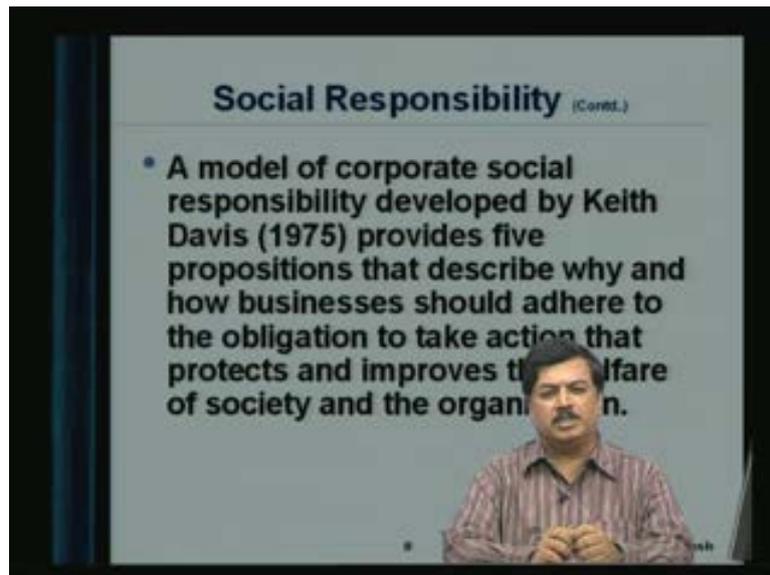
When you look at the social responsibility, it means different things to different people. Sometimes it is seen as the corporate dhana, the kind of charity what they do for the society but generally the corporate social responsibility is the obligation to take action to how to take care of the society requirements and take action that protects and improves the welfare of the society as a whole, it is not only taking care of the society as well as the organizational interests.

(Refer Slide Time: 06:23)



So the social responsibility as a concept we see a that the manger must try to achieve both organizational and societal goals but meet those goals of the society. The societal goals in terms of welfare in terms of providing rights and providing quality of life, I think all these things become part of the organizational response as well.

(Refer Slide Time: 06:52)

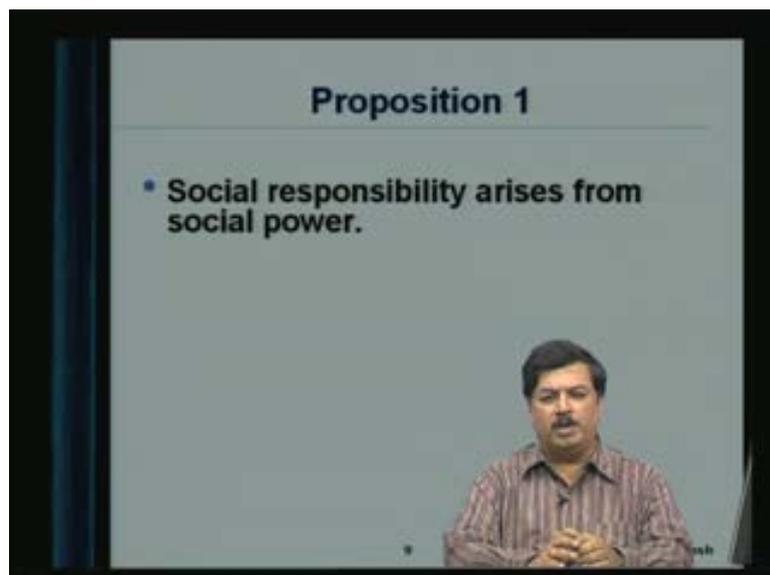


Social Responsibility (Contd.)

- A model of corporate social responsibility developed by Keith Davis (1975) provides five propositions that describe why and how businesses should adhere to the obligation to take action that protects and improves the welfare of society and the organization.

The slide features a speaker in a red and white striped shirt at the bottom center, with a small 'ash' logo in the bottom right corner of the slide area.

(Refer Slide Time: 07:23)



Proposition 1

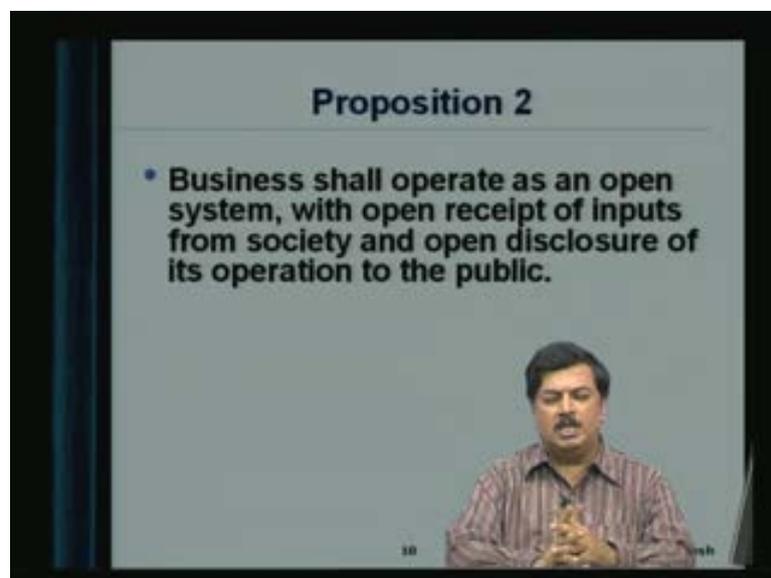
- Social responsibility arises from social power.

The slide features a speaker in a red and white striped shirt at the bottom center, with a small 'ash' logo in the bottom right corner of the slide area.

A model of corporate social responsibility developed by Kelth Davis and it provides 5 propositions that describe why and how businesses should adhere to the obligation to take action that protects and improves the welfare of the society and the organization and if you see this 5 arguments, 5 propositions probably you will be able to appreciate different aspects of social responsibility, how people perceive and interpret the same thing. If you look at the proposition one, the social responsibility of the organization arises from the social power.

The social power because the organization gets control over set of resources and they need to exercise this power which is comparatively higher than what an individual can exercise and the use of that power is a kind of a response and they should influence the public domain, the public opinion, public awareness I think this is the first proposition. The proposition two, the business business organization shall operate as an open system. As an system, they are receiving inputs, they are receiving resources, they are receiving several help from external systems, it could be the law and order, it could be the educated people or it could be the kind of raw material.

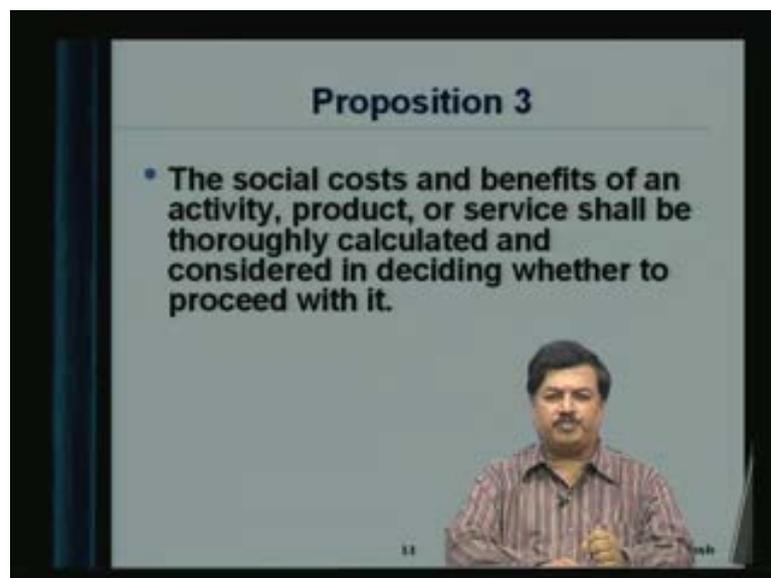
(Refer Slide Time: 07:57)



So many of these things they receive from the society and so when you receive such obligation from external elements to the organization that is from the society and it is obligatory on the part of the organization to be disclosing. So the discloser of the operation to the public and also do something to the public or to the society becomes another important

aspect of exchange. So the no, organization can be a close system so the use of this open system concept is that business need to be responsive as it expects organizational relevant elements of the society to be more responsive to the business organizations. The proposition three is the social costs and benefits of an activity product or service, shall be thoroughly calculated and considered in deciding whether to proceed with it, I think this is what it is when we use the word social cost benefits.

(Refer Slide Time: 09:11)

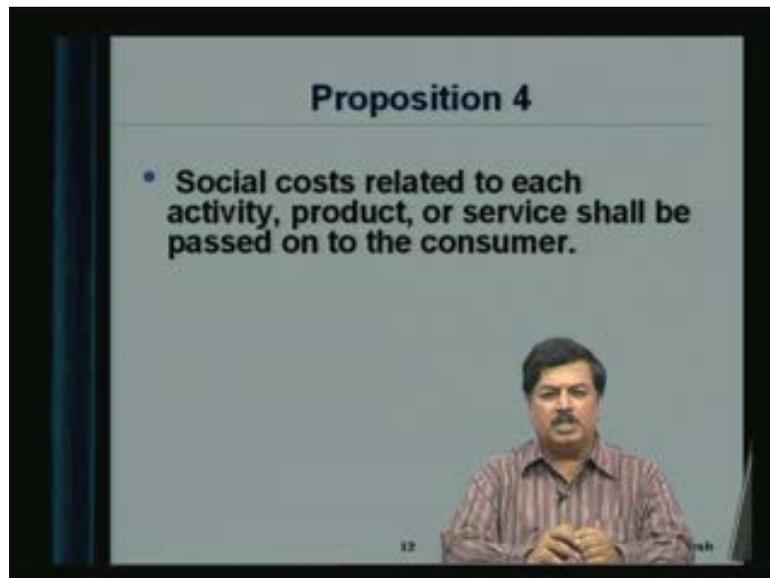


So one may come up with a big apartment block, now once apartment block or the the mall and things like that one needs to see what impact it is going to have, the impact it is going to have on transportation or increasing need for the the parking areas or demand for energy, water. So one need to see what that organization is thinking of doing and what are the corresponding pressures on the society and then the organization do, you know should respond to the kind of issues which is going to create and that is the idea of social cost and benefits and then one can also see the proposition four is social costs related to each activity product or service shall be passed on to the consumer. So that means somebody has to pay for it.

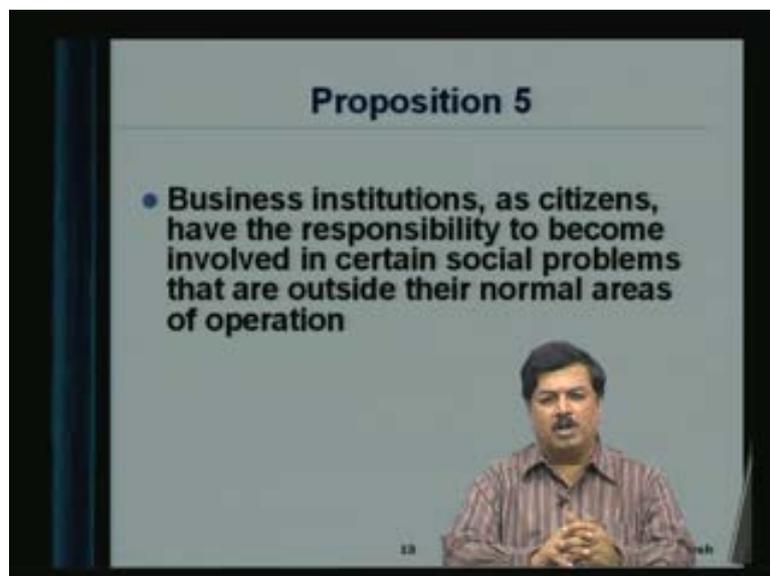
So there is organizations you know create that kind of an awareness to the consumer that it comes with these, these, these obligations as organization do not have shop, organization should not neglect it. So the question is that they should keep the consumer informed and the

other things is the business institutions as citizens like as entities have the responsibility to become involved in certain social problems that are outside the normal areas of operations.

(Refer Slide Time: 10:09)



(Refer Slide Time: 10:42)

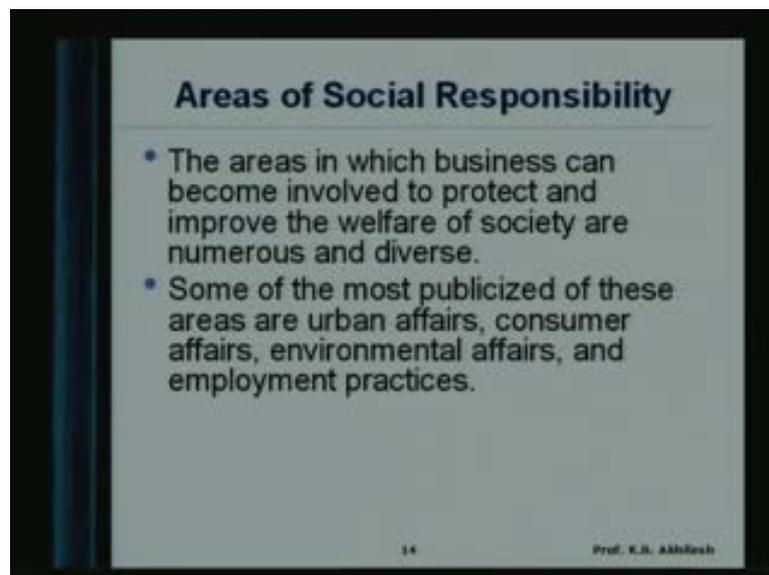


So you cannot say the I am not interested in constructing or supporting sports activities or construction of the stadiums or it may be about the road or it may be about the hygiene in the society. So there are many things whatever you see across the society and also the social

problems of the society which could be unemployment or which could be lack of amenities, lack of resources at the community, I think that becomes an important consideration for the organization to respond. There are many organizations have taken initiative to respond for the health care or education of the women or taking care of the children or like the some of the foundations are working like “Asin Premji Foundation” is working for primary education and similarly the “Akshara Foundation” helping people to get the the you know the midday meals.

So, such things where organizations consider that they need to work and they need to respond to the societal requirements. As we are saying that these propositions are not very exclusive but this propositions can come in combination they are not pure but they provide many alternative ways of seeing why corporation should have a great concern for the societal issues.

(Refer Slide Time: 12:31)

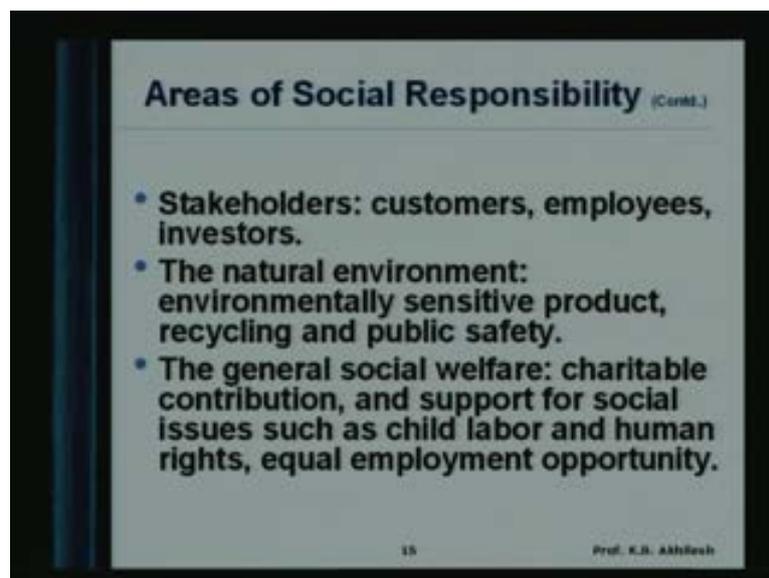


But when you look at areas of responding, the areas of in which the businesses can become involved could be many things without to these to protect and improve the welfare of society and when you see it becomes numerous and diverse it could be, it could take over all the aspects of what a government could do to simple things planting of the trees, making the place greener or providing employment opportunities with the people in nearby areas, adapting of certain schools or today people are also talking about the maintenance of the

roads or building some new facilities or helping schools and school children or women in distress.

So you can create many of the initiatives create such activities which is publicized as part of the urban affairs or the consumer affairs or the environmental related things and also build better employment practices. So the areas of social responsibility are many numerous and also can come and differentiate and you can one can also relate it to the to the social responsibility with respect to different segments, one can relate it to the stakeholders. So then you are bothered about the customers, the employees and the investors. So if you see the important stakeholders.

(Refer Slide Time: 13:41)

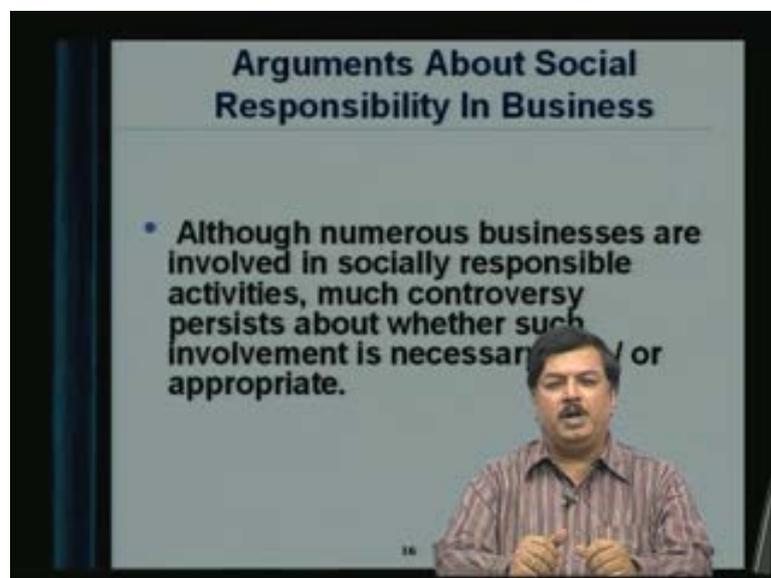


So with respect to the customers, so you do talk to them and you talk about the kind of new technologies which you are trying to develop sometimes you also train some of the key managers. So that they understand the kind of the pressures what you are experiencing. So it is also the employees investing in the employees, employee's families helping them to be a good citizens for example, conducting of this blood donation camps, conducting you know the vacation camps for the children of the employees, these are all the kind of responses one can, one can be active with, with respect to the employees and their families.

An another important thing is with respect to the investors, keeping them informed being more transparent and providing the kind of complete information to them, these all are the kind of responses to the investors and one can also see in terms of the thinking about the environment and today the many organizations are environmentally sensitive and they want to create at the products which could be so called green friendly, they can, they can emphasize on this kind of recycling and also the issues of public safety.

They can create opportunities for not only for the employees but also involving the public to see what is good for the society in the long run and we can also think in terms of the general social welfare and kind of a charitable activities through contribution, through support we see there are many sponsors today for sports, music activities or also can take in terms of the some several runs you know where the employees run for a cause or it could be about the child labor, some human rights. So the equal employment opportunities, so the corporations need to support the initiatives through funding, through sponsorship or taking active role in forming societal views.

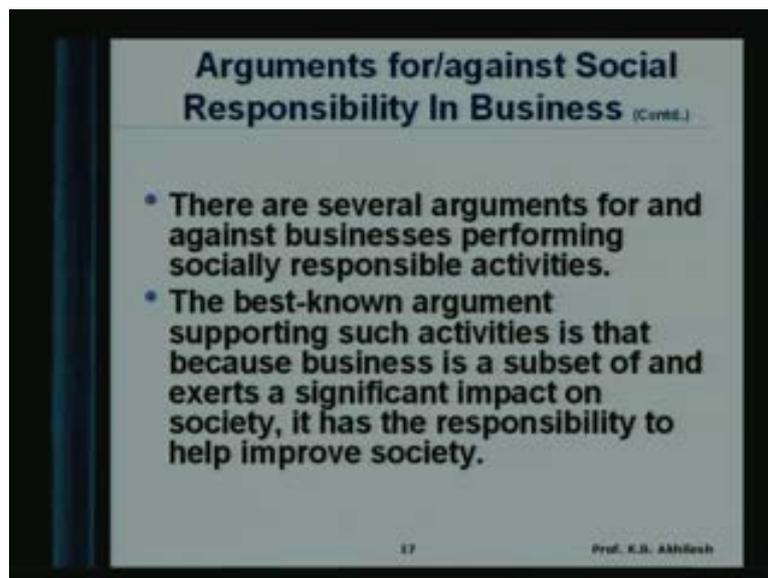
(Refer Slide Time: 16:29)



So the areas of social responsibility is if the is completely left to the organization and they can initiate and let us look at some of the arguments about the social responsibility although numerous businesses are involved in socially responsible activities, still lot of controversy persists both within the organization as well as outside the organization, they it is the

necessarily comes around the kind of the positions what people take whether somebody should get involved or should not get involved and the arguments for an and against... the businesses performing socially responsibility activities you know the activities where people would like to see what is that relevant activities and whether it has any direct bearing or not whether it has some direct help or not.

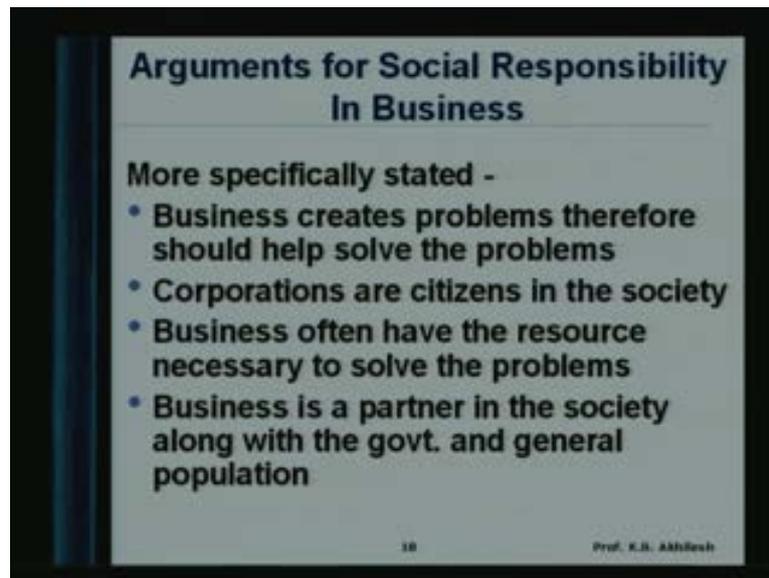
(Refer Slide Time: 16:55)



So now the, so the organizations when they are contributing to the school, when contributing to the college education one can link with directly yes, it has some direct effect or some direct use or you are, you know contributing to some cause but when you also contribute for building of a temple or building of some facilities one cannot link directly the benefits of this. So the question is that one can see the whether it has any impact on the society whether how it is useful to the organizations.

So one can get into the arguments whether it is really helping or it is not helping whether should help only your society and community nearby or you can also divide the things at a distance. So the, so the arguments are this specifically if you see business creates problems therefore should help to solve the problems I think this is one view. So that means when you start an organization you are going to cut the trees you are going to displace the people, so if those things are involved now better, you plant trees, you create opportunities for people.

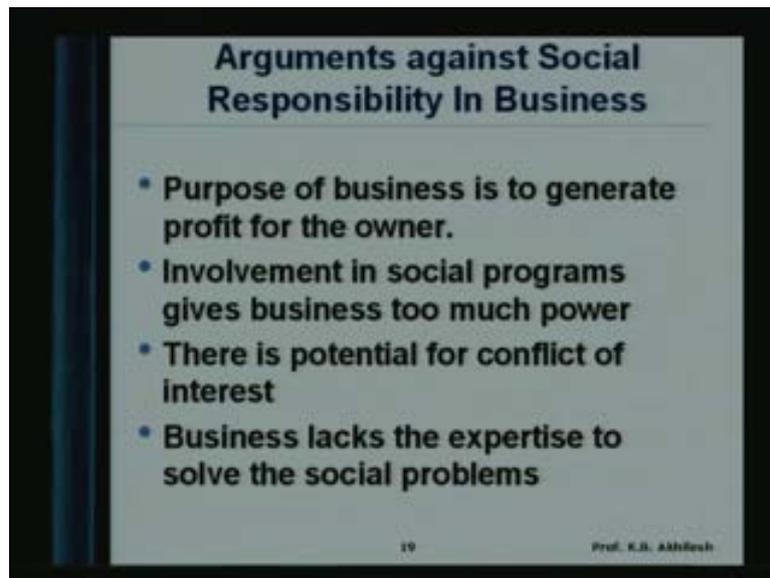
(Refer Slide Time: 18:01)



So this is one kind of an argument which can directly linked to what organizations has done and how is it that it should compensate and similarly, one can take a view corporations are citizens in the society if you are in important organizations, important society. So when we come to you, you should respond I think that is what the society looks for the from the organization yes, it is your obligation and also it is seen already the business often have a resources. So that mean look you have more money with you and that money I think you must give it back in some sense okay now one can take an argument now you pay taxes and so why should you spent this hard earned money but one can see little beyond so you should see it is as a charity.

So it is now we have to solve the problems of the society, so that means when you have extra resources provide these resources which are very essential to solves some of the basic necessities, basic problems of the society. Another view is that the business is a partner, the partner of the society like that you are talking about with the government or a general population or anything apart from you have the resources but you are also a partner. So partner in the progress, partner in terms of understanding and applying some new solutions to the known problems, I think it is in that sense organizations also have to contribute. So the purpose of business one can see is to generate profit for the owner, so once you pay the tax you need not get involved but then one can also see involvement in the social programs gives business also in too much power.

(Refer Slide Time: 19:57)



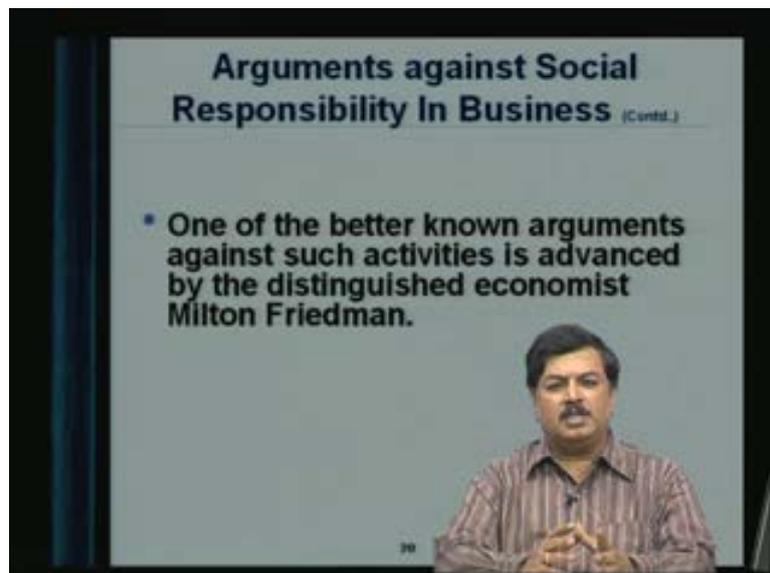
Arguments against Social Responsibility In Business

- Purpose of business is to generate profit for the owner.
- Involvement in social programs gives business too much power
- There is potential for conflict of interest
- Business lacks the expertise to solve the social problems

19 Prof. K.B. Ahluwalia

So as they contribute they also get the respect of the community and when things go wrong for the organizations, they can always call back on this kind of goodwill of the community and there is also a potential for what we can see the kind of conflict of interest. So it is sometimes business lacks the expertise to solve all the social problems, so that means they have money but they really do not know where to deploy. So they may create an unnecessary conflict in a in a society by supporting only one community of people or one group of people.

(Refer Slide Time: 20:57)



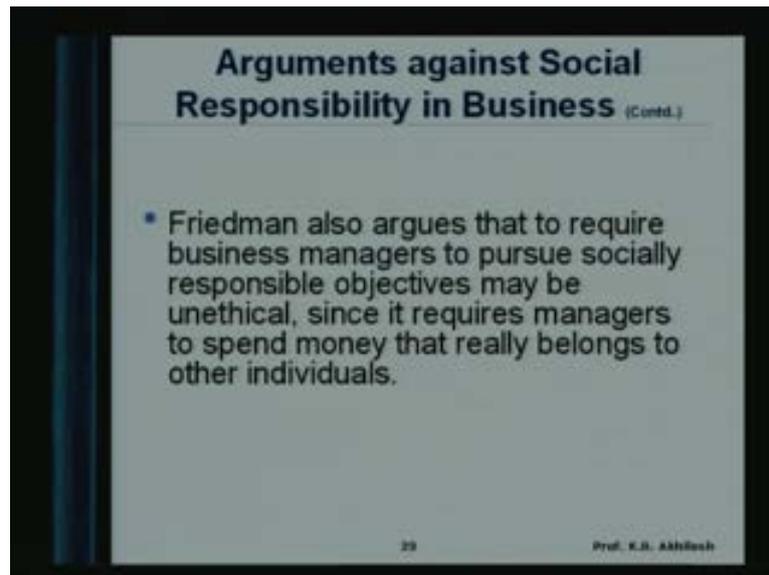
Arguments against Social Responsibility In Business (Contd.)

- One of the better known arguments against such activities is advanced by the distinguished economist Milton Friedman.

20

So one should also see whether they should get involved directly or they should get involved through some other agency which has the required expertise and also one can see people today go beyond where the **the the the** activities could also be kind of the thing where we can one can see respond to many of the things what Friedman has talked about.

(Refer Slide Time: 21:18)

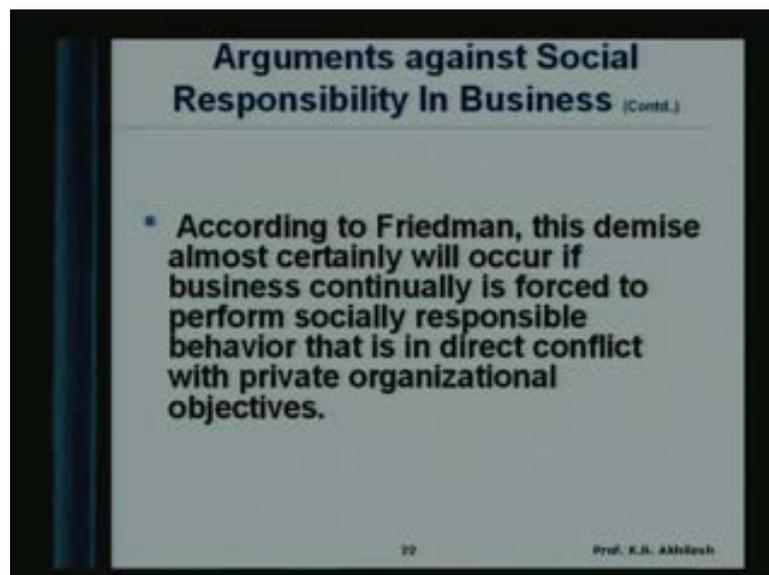


Arguments against Social Responsibility in Business (Contd.)

- Friedman also argues that to require business managers to pursue socially responsible objectives may be unethical, since it requires managers to spend money that really belongs to other individuals.

29 Prof. K.B. Ahluwalia

(Refer Slide Time: 21:52)



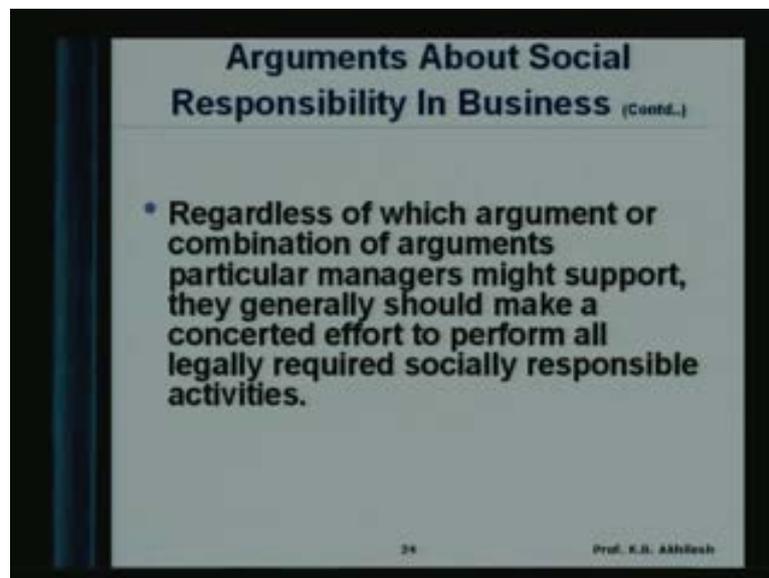
Arguments against Social Responsibility in Business (Contd.)

- According to Friedman, this demise almost certainly will occur if business continually is forced to perform socially responsible behavior that is in direct conflict with private organizational objectives.

30 Prof. K.B. Ahluwalia

So Friedman argues that making business managers simultaneously responsible to the business owners for reaching profit objectives and also to extend themselves for society, for enhancing societal welfare I think this represents what one can see yes, there is a potential conflict, the conflict of interest but it can also willing to the demise of the business. So if it always occur, it is going to be there if business continually is forced to perform socially responsible behavior that is in direct conflict with private organizational objectives. So one need to resolve this, one need to see what is how this can be brought together. So when you where the to require business managers to pursue socially responsible objectives but then may be unethical. So managers spend money that really belongs to the other individuals.

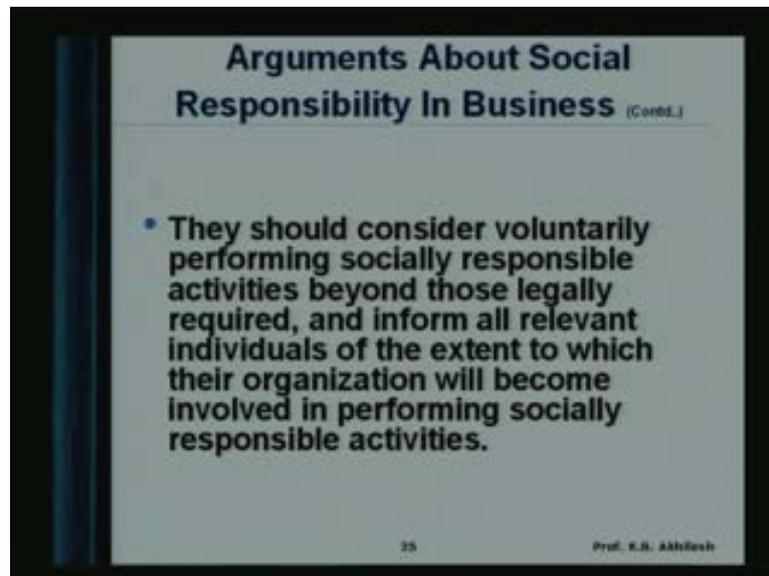
(Refer Slide Time: 22:30)



So the during these situations that one has to see what is a best? Is it purely managerial is it purely organizational or purely societal. So whatever this regardless of which argument or in combination of arguments we are going to see a particular managers might support, they generally should make a concerted effort to perform all legally required, socially responsible activities. So there are no further arguments it, arguments about it, they should consider voluntarily performing, socially responsible activities beyond those legally required and inform all relevant individuals of the extent to which their organization will become involved and performing socially responsible activities. So that means the argument is very clear finally, it is the, it is the concern for their society, the concern for the social problems has to

take over some of the immediate concerns of the organization or the managers would like to adapt.

(Refer Slide Time: 22:59)

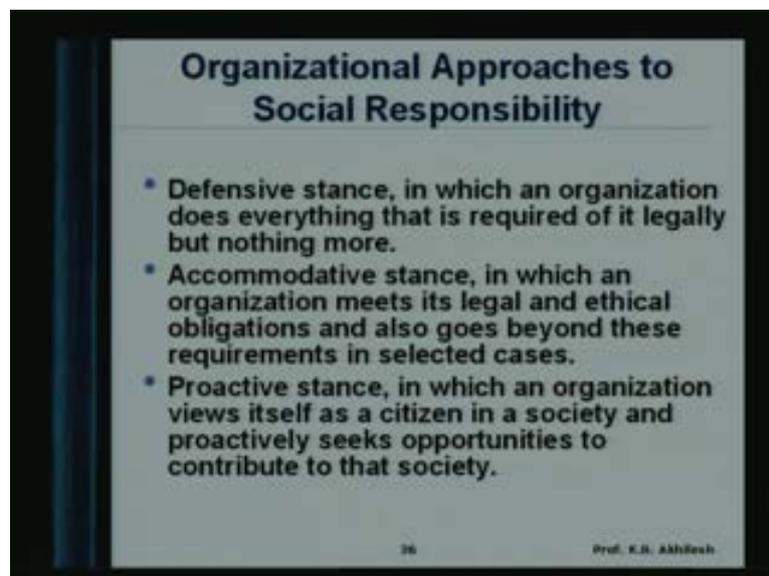


Arguments About Social Responsibility In Business (Contd.)

- They should consider voluntarily performing socially responsible activities beyond those legally required, and inform all relevant individuals of the extent to which their organization will become involved in performing socially responsible activities.

25 Prof. K.B. Ahluwalia

(Refer Slide Time: 23:25)



Organizational Approaches to Social Responsibility

- Defensive stance, in which an organization does everything that is required of it legally but nothing more.
- Accommodative stance, in which an organization meets its legal and ethical obligations and also goes beyond these requirements in selected cases.
- Proactive stance, in which an organization views itself as a citizen in a society and proactively seeks opportunities to contribute to that society.

26 Prof. K.B. Ahluwalia

So one can extend this argumental further in terms of what stands or what is the, what is the view organization can take. A defensive stance in which organization does everything that is required of it legally but nothing more. So they would pay taxes, they, if they have to pay

some cess they will pay the cess but unless the government demands they are not going to do anything more. The other part is that accommodative stance, the accommodative stance in which an organization needs its legal and ethical obligations and also goes beyond these requirements in selected cases.

So that means you know they may take up some issues if there is a crisis of of say, natural disaster or because of the rain several houses are washed-out, so they may take up that as an issue and respond to that kind of crisis situation but nothing beyond but they try to accommodate if they consider that something unusual happening in the society or some crises has taken place and then they would respond to that. The third definitely is a kind of proactive stance, proactive stance in which the organization views itself as what we mentioned earlier, a citizen of a society, a responsible person and then look for proactively what is that I should, we should do or organization should do.

So that they can make a difference they can make a difference in providing resources, they can make a difference through providing expertise of their managers or the people or hiring some of the organizations to understand and study the problems and come up with some new solutions, it could be many thing, in the area of health, in the area of education, in the area of infrastructure. So many of these things organizations can identify and respond. So that is the in terms of the kind of a proactive thing.

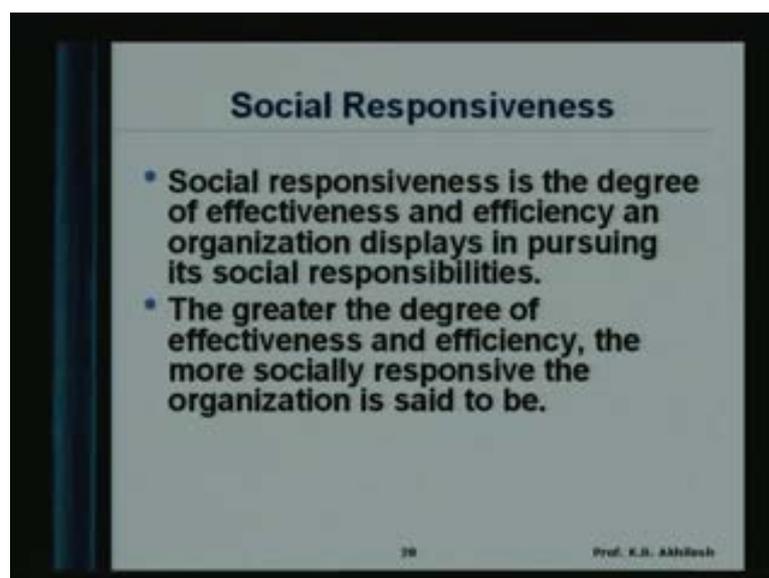
(Refer Slide Time: 25:40)



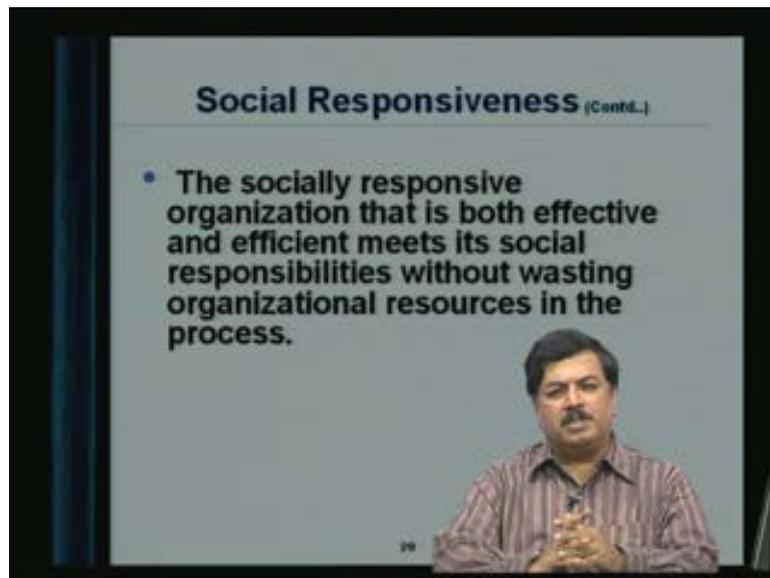
So in the approaches we can see very clearly, one can be very obstructionist kind of a stance where they take it or it you know they take a critical position of the government and the society that nothing should be demanded out of them which is of a very lowest level of social responsibility when we move into a kind a very defensive stance, in the defensive stance the organizations would do all the things so that nobody can criticize that organization and then you move onto an accommodative stance where you respond to crisis, you respond to some unusual circumstances of the society and deal with those problems and then you withdraw then to at the final stage where you are very proactive.

So the progressively you look for what the problems are what is that could be done mobilize you are own resources not only in money in kind but sometimes you also take a leadership, it could be raising of the fund for the cancer patients or it could be anything which mere may not directly influence the profitability or performance of the organization. So one can see, they differentiate the approaches of the organization towards it is social responsibilities. The social responsiveness is further to see as the degree of effectiveness and efficiency an organization displays in pursuing its social responsibility. So the response could be very passive, the response could be very active.

(Refer Slide Time: 27:04)

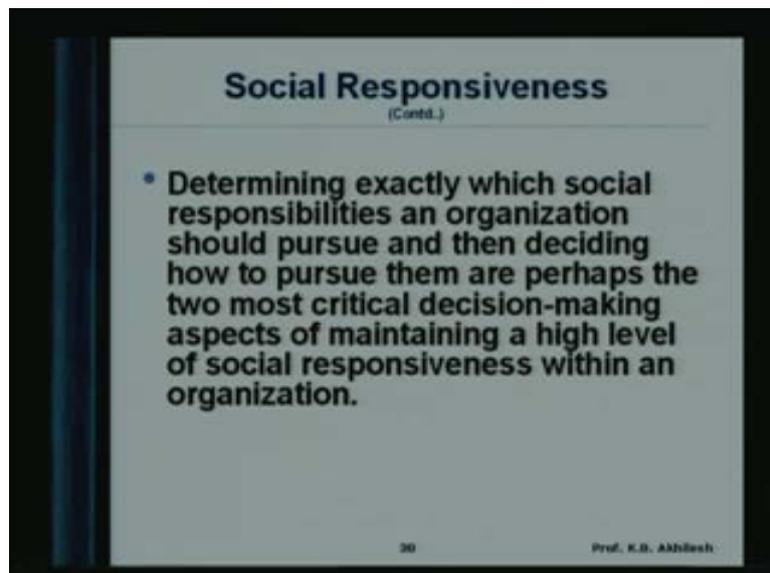


(Refer Slide Time: 27:33)



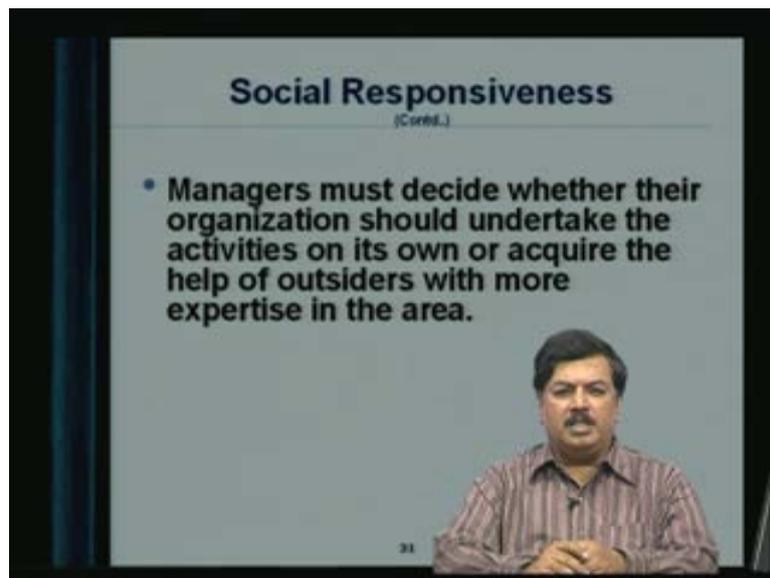
So the greater the degree of effectiveness and efficiency the more socially responsive the organization is said to be, so that the I think that is the understanding and the socially responsive organization at as we see they are efficient they are also effective in understanding and without wasting organizational resources in the process that means you are able to gives that kind of a leadership, you are able to get that kind of a support and then you help people to understand the problems also to respond to the issues.

(Refer Slide Time: 28:01)



So an efficient organization would go little beyond determining exactly which social responsibility now, responsibilities an organization should pursue and then decide it how to pursue them and may be perhaps the you know one can make it to you know the most critical decision in terms of at what is the, what is that maintaining high level of social responsiveness and making sure that all the resources are available to meet those aspects.

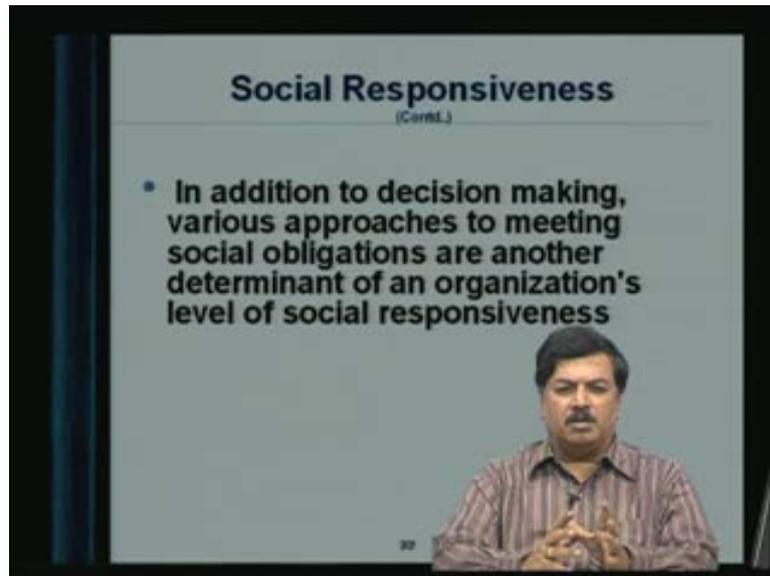
(Refer Slide Time: 28:37)



So the managers must decide whether their organization should undertake the activities on its own or acquire the help of outsiders with more expertise in the area and certainly, certain you know the as we have seen some areas do require expertise for example, expertise working with communities examples like HIV and AIDS.

So HIV and AIDS, so the organization provide may have all the resources and money but it may not have the required expertise to analyze understand specific problems specific groups specific individuals and how they can be helped in creating awareness in creating acceptance and making them adapt some safe and better practices. So in addition to decision making one can also see how to meet these obligations and I think that makes it much more critical how much, how much to involve to what degree they should adapt the strategy of responding to the social problems.

(Refer Slide Time: 29:29)



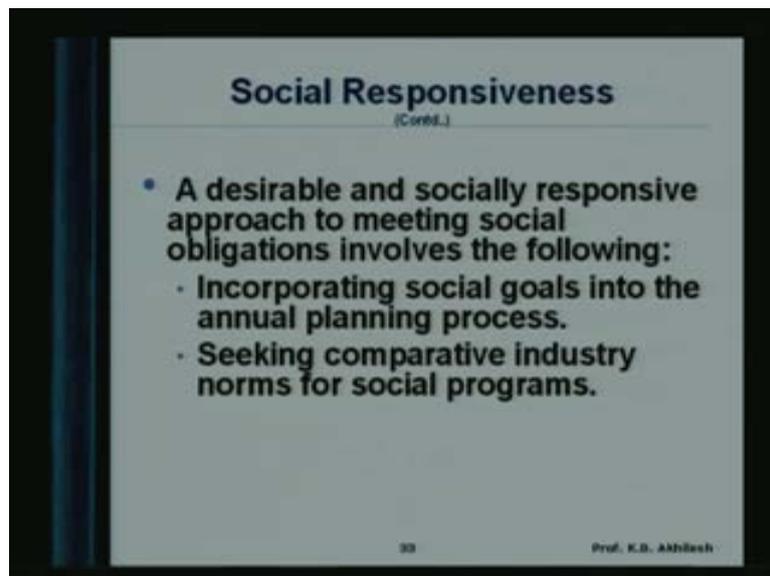
Social Responsiveness
(Contd.)

- **In addition to decision making, various approaches to meeting social obligations are another determinant of an organization's level of social responsiveness**

32

A man in a striped shirt is speaking in front of the slide.

(Refer Slide Time: 29:52)



Social Responsiveness
(Contd.)

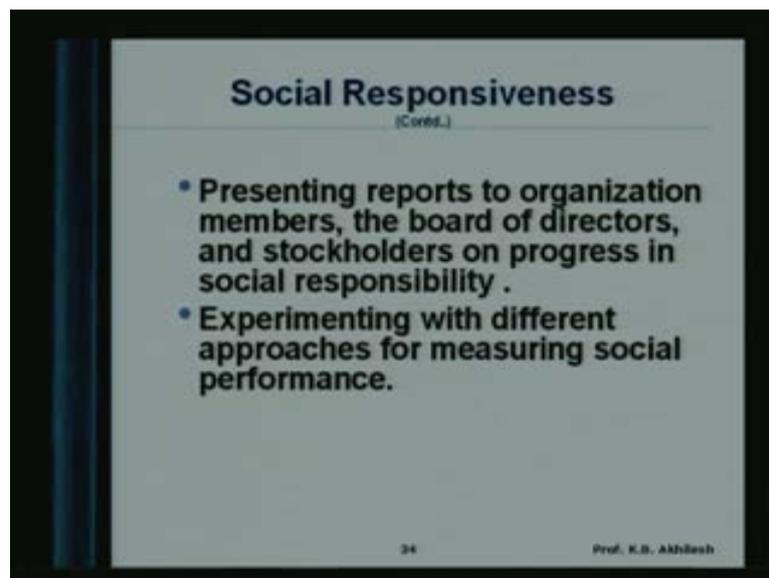
- **A desirable and socially responsive approach to meeting social obligations involves the following:**
 - **Incorporating social goals into the annual planning process.**
 - **Seeking comparative industry norms for social programs.**

33 Prof. K.B. Ahllesh

A desirable and socially responsive approach to meeting social obligations involves the following incorporating social goals into the annual planning process. So that means you try and understand what that community corporate is you know corporation has to respond to and then may be involving some of the community leaders into this process. So that you can allocate some funds or you can allocate some resources and also the seeking comparative industry norms for social programs.

You know the that means you try and benchmark what other organizations are doing and where is that they are making a difference and then, see whether you can you can also work towards that direction and see, what is that could be done and also presenting reports to the organization members, the board of directors and stockholders on progress in social responsibility. It could be about the adaption of the school or making available some of the infrastructure for the educational activities or extending help for some other organization which is supplementing the nutrition of the of the children in the community or it is about the educating the adult population or extending some community entertainment facilities, it could be many thing. So the organization can do directly or through the help of others and experimenting with different approaches for measuring the social performance.

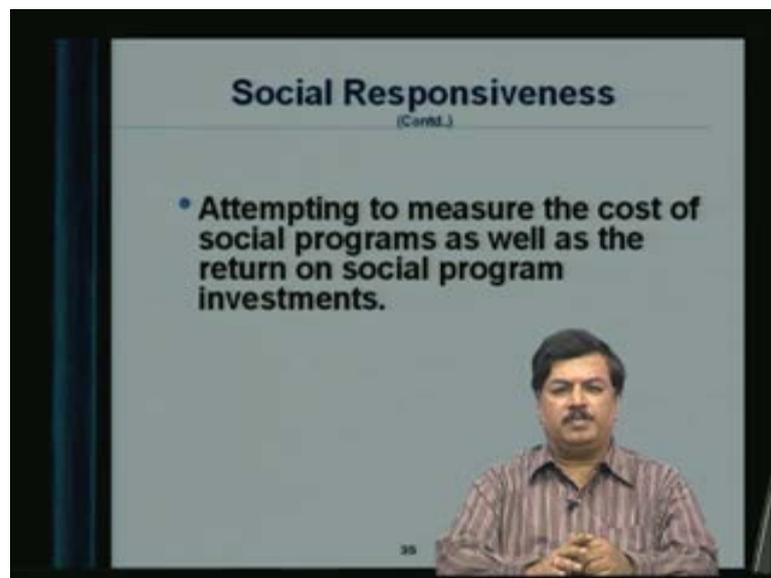
(Refer Slide Time: 30:38)



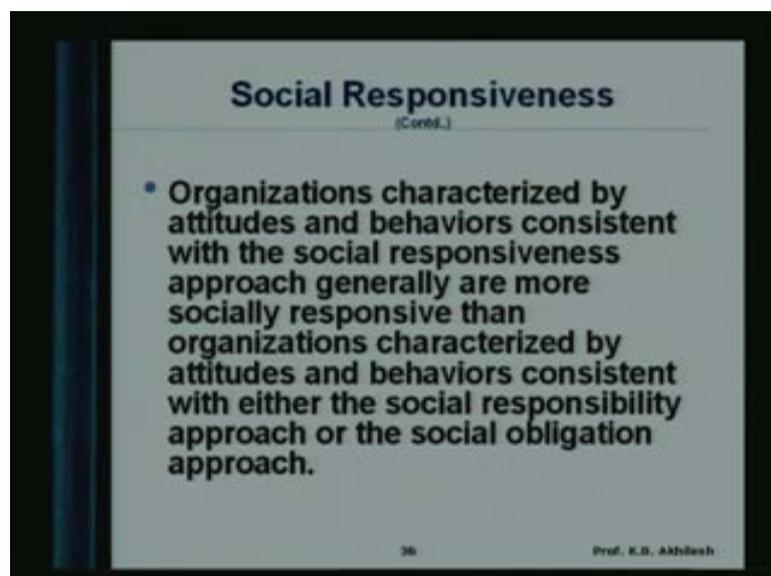
So also to make sure that the facilities what you have extended, support what you have provided also resulting in better practices within the society. So to measure this cost of the programs as well as the return on social program investments becomes a an important activity and part of this social responsiveness. So the organization characterize by attitudes and behaviors, consistent with the social responsiveness approach generally the problems which are more socially, more socially relevant and so organization builds into that kind of a the attitudes and behaviors where they are part of the social responsibility and then they try and meet all the obligations to the social obligation approach, what we mentioned earlier.

So organizations characterized by the social responsibility approach generally achieve higher levels of social responsibilities than organizations characterized by the a kind of a social obligation approach. So the question is as one moves from the social obligation approach to the social responsiveness approach then you will see the management becomes more proactive. So the proactive managers will do what is prudent from a business point view and also reduce liabilities whether an action is required by law or not.

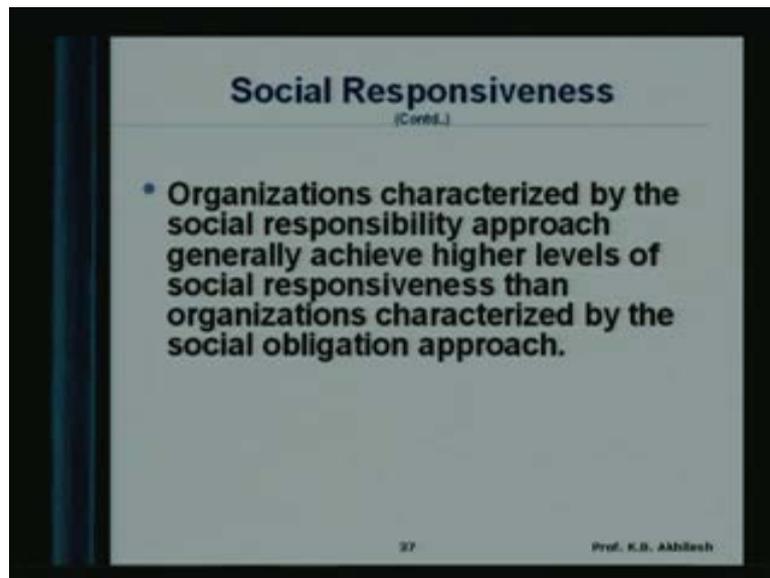
(Refer Slide Time: 31:33)



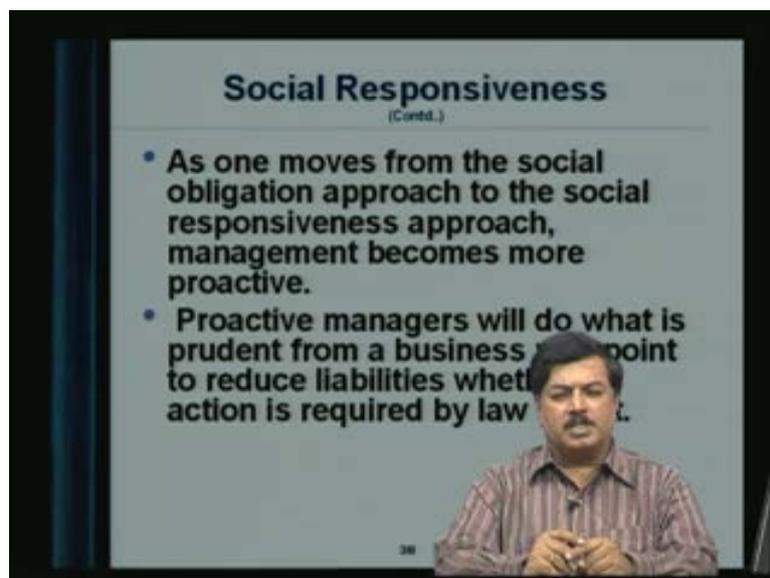
(Refer Slide Time: 31:45)



(Refer Slide Time: 32:20)



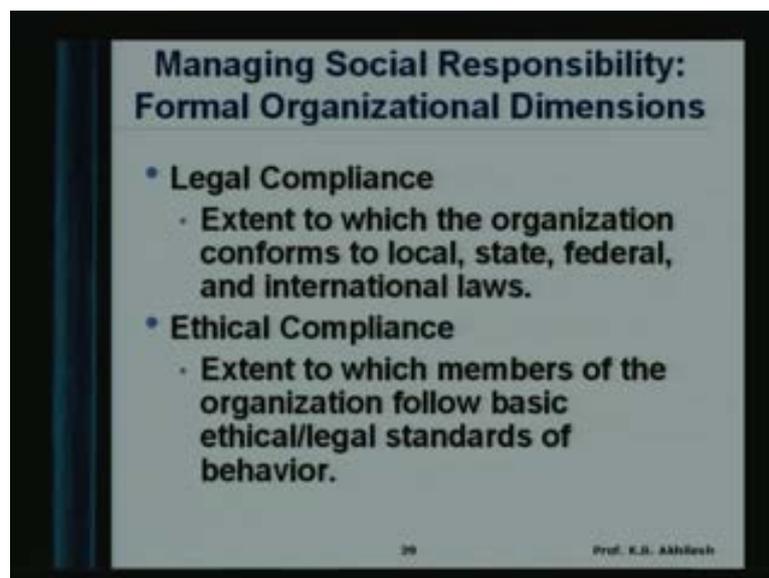
(Refer Slide Time: 32:38)



So they go beyond what is prescribed by the law and they also see what is that businesses can do and they try and work hard in understanding the needs of the community or needs of the of the specific group of people who are in demand for a service and then organization make it much more need based and they will do all the things like making sure the problem is well identified and problem is well understood and analyzed and then they see where do we fit in terms of helping them to solve the problems themselves rather than making it as a kind

of a continuous obligation on the part of the organization. I think when you look at this managing social responsibility, I think we should see some of the formal aspects one is important that to look at the legal compliance.

(Refer Slide Time: 33:41)



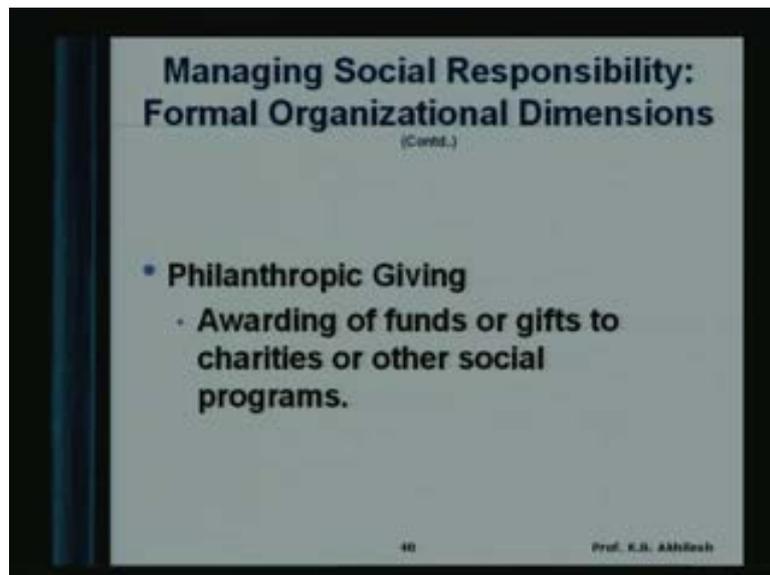
So the extent to which the organization conforms to the local state, central, federal and international laws very clearly, the guidelines need to be followed and making sure that it has every right practices could be about the **the** employment practices, it could be about the the discloser of the information to the relevant people.

So the legal compliance is of utmost importance then we are also talking about the ethical compliance the ethical compliance is to extend which the members of the organizational follow very clearly, the basic ethical standards of behavior and as we discussed earlier that what is acceptable in a particular societal context. So that you would do all that is required but then you also get into the philanthropic giving.

So that means you know awarding funds or gifts to the charities or other social programs that is you are making a financial kind of contribution. So that set of activities could be could be strengthened then I think we should also talk about this whistle blowing, the organizational response to the disclosure always if organization is not doing it may happen by an employee, so of some illegal or unethical conduct on the part of others within the organization and it is

indicative of the organization's stance on social responsibility, so sometimes organizations take the **the** cover of the organizational social responsibility and to and to cover up some of their misdeeds.

(Refer Slide Time: 34:47)

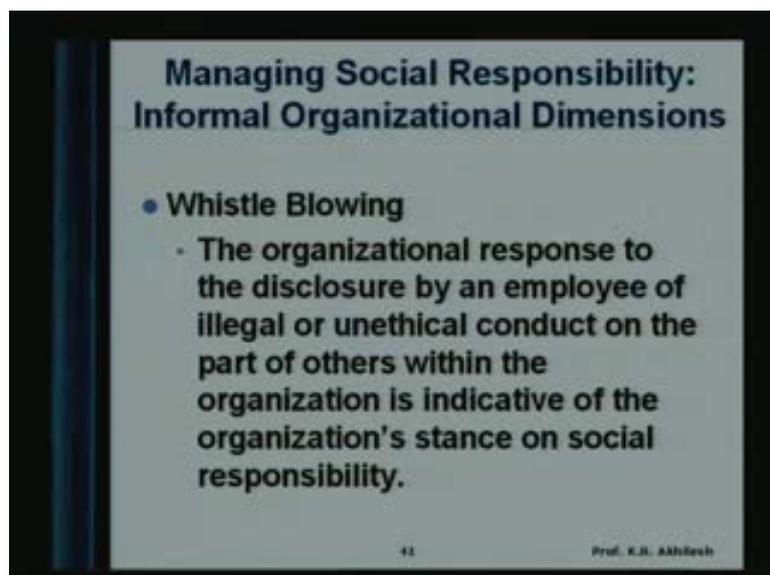


**Managing Social Responsibility:
Formal Organizational Dimensions**
(Contd.)

- **Philanthropic Giving**
 - Awarding of funds or gifts to charities or other social programs.

40 Prof. K.B. Ahluwalia

(Refer Slide Time: 35:12)

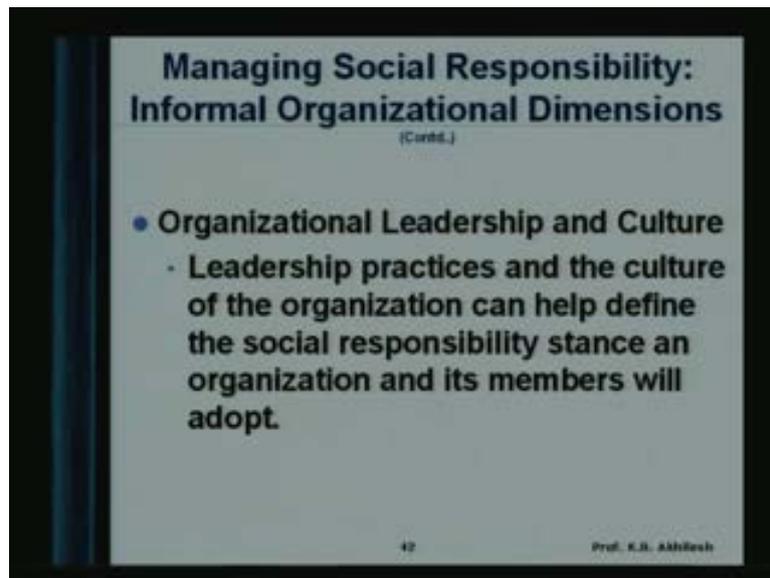


**Managing Social Responsibility:
Informal Organizational Dimensions**

- **Whistle Blowing**
 - The organizational response to the disclosure by an employee of illegal or unethical conduct on the part of others within the organization is indicative of the organization's stance on social responsibility.

41 Prof. K.B. Ahluwalia

(Refer Slide Time: 36:10)

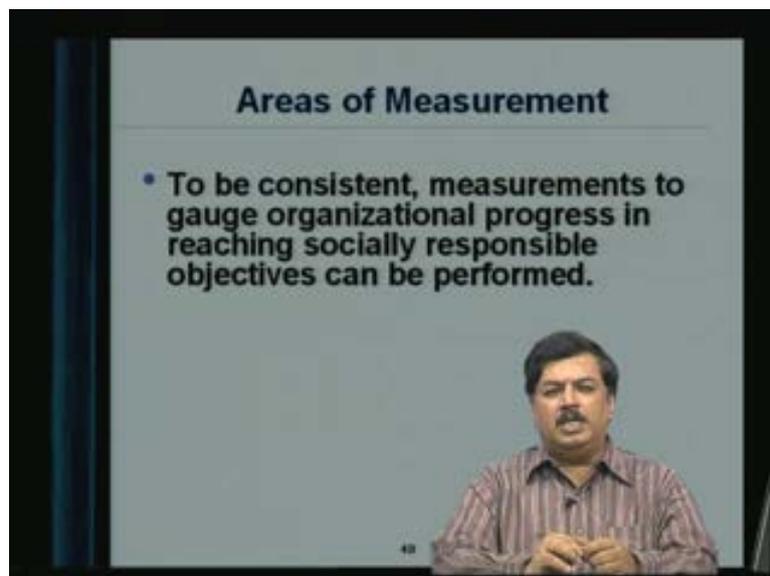


**Managing Social Responsibility:
Informal Organizational Dimensions**
(Contd.)

- **Organizational Leadership and Culture**
 - Leadership practices and the culture of the organization can help define the social responsibility stance an organization and its members will adopt.

42 Prof. K.B. Ahluwalia

(Refer Slide Time: 36:40)



Areas of Measurement

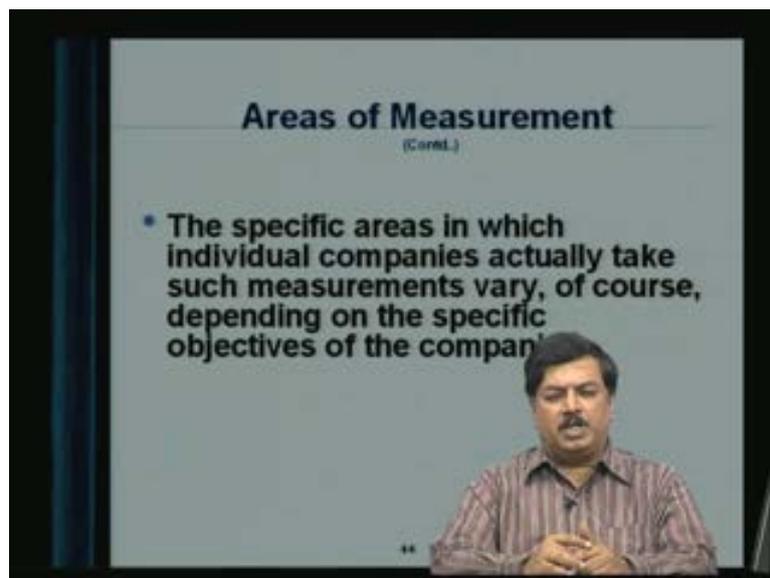
- To be consistent, measurements to gauge organizational progress in reaching socially responsible objectives can be performed.

43

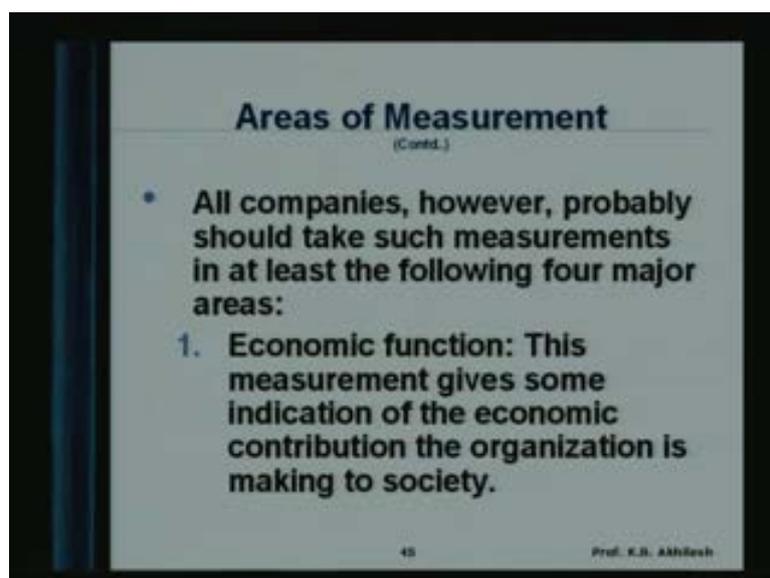
So they may be getting into the charity or doing many things and so the whistle blowing comes where one or many of the employees do tell that I think organization is doing something but it is not in correspondence with it the stated values or whatever they are doing as the part of the social responsibility. I think that is where it is important that organizational social responsibility or they has to become intuitionalized, organizational leadership and culture plays a big role, leadership practices and the culture of the organization always can

they help define what is organization should be doing and also the members need to adopt at every level and to be consistent one need to get into the measurements to see how the organizations are progressing in reaching socially responsible objectives and how something more can be done and in the specific areas in which individual companies actually takes such measurements vary.

(Refer Slide Time: 36:58)

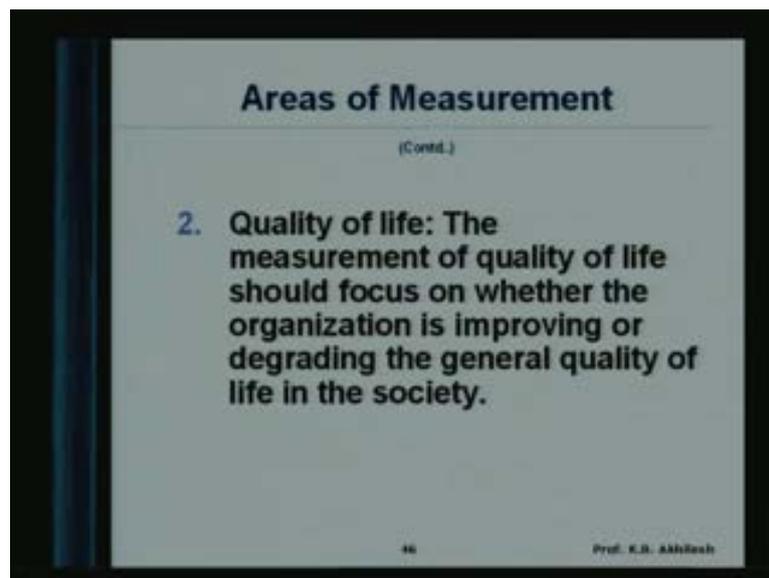


(Refer Slide Time: 37:30)



I do not think there is any specific standard one can apply and suggest I think these are the indicators or these are the areas one need to take measurements to decide whether the organization is socially responsible or not. So such standardizations are not available and the degree to which one can and stretch also cannot be decided a priori, for all companies however or organizations however probably should take such measurements in at least the following 4 major areas, one in terms of the economic function, this gives in terms of the measurement how much they are making some kind of a contribution as part of their total turnover or part of the profits are they giving something back to the society, what percentage of the money is coming back to the society as a part of charity or supporting non-governmental organizations or supporting government initiatives in doing several things or the the activities done by the organization itself or may be the organization and its employees.

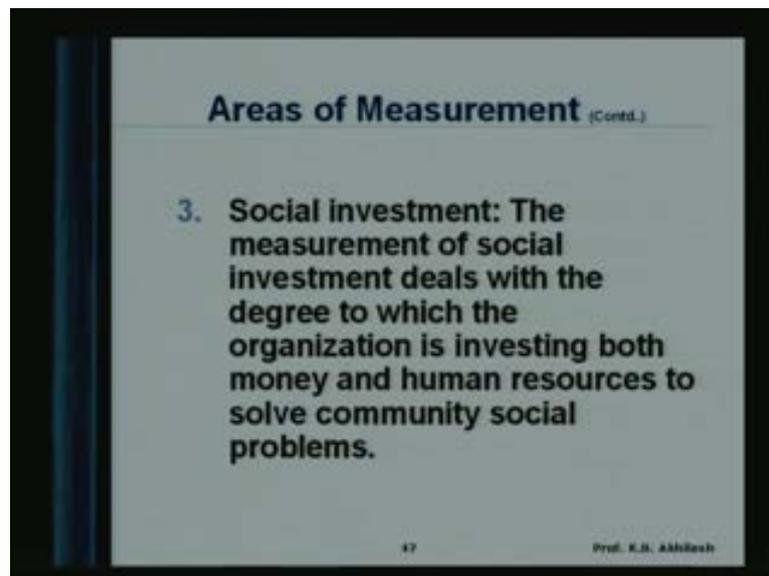
(Refer Slide Time: 38:42)



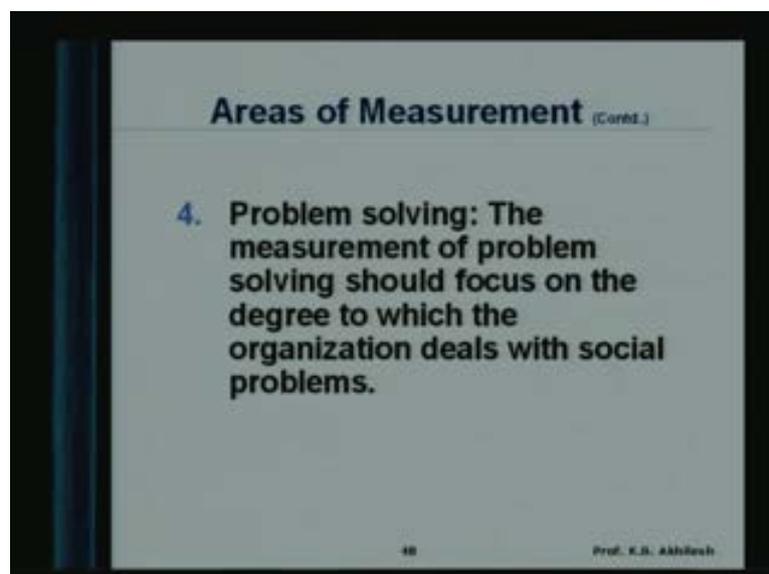
So the point is the organization and the employees whatever they do or the organization helping through others but one need see at the end of the day what is the percentage of its money getting into this, getting into their activities. The second part one need to take a measurement and see is the quality of life, the measurement of quality of life should focus in terms what is the difference they have made, what is difference they have made in terms of improving degrading the general quality of life in the society have they created entertaining, entertainment activities, have they created the capacity building activities at different levels or they have used their resources where they have created some kind of a degradation of may

be the forest or the tree or the natural resources. So they have not got a long term view of what is going to happen, so the quality of life the impact whatever they are going to make or the organization is making becomes another area of measurement. The third area of measurement is the social investment the measurement of social investment basically deals with degree to which the organizations is investing both money and human resources to solve community social problems.

(Refer Slide Time: 39:37)

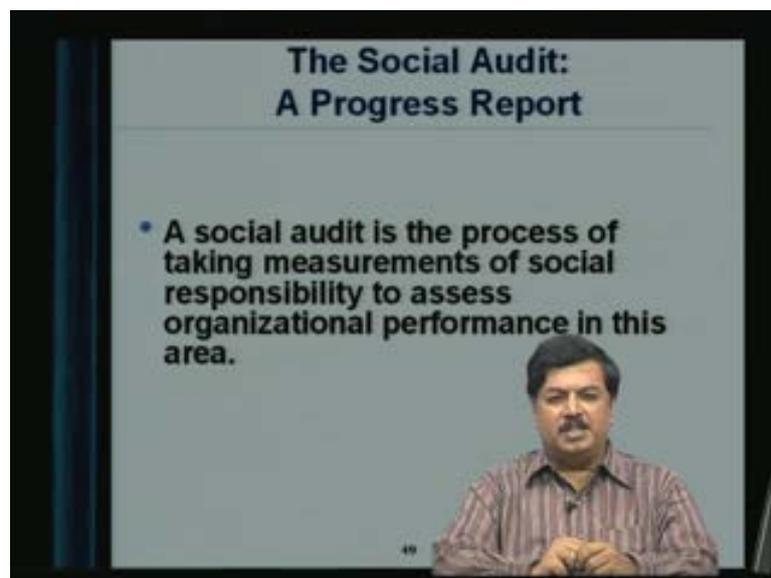


(Refer Slide Time: 40:20)



As we said as part of the economic things is that economic wellbeing and the kind of resources what is being provided but this goes there one step further to see how much of that is creating a kind of wealth in the in the society. So that it has a capacity to deal with its own set of problems and finally, one can also see the problem solving, the measurement of problem solving should focus on the degree to which the organization deals with social problems.

(Refer Slide Time: 40:50)



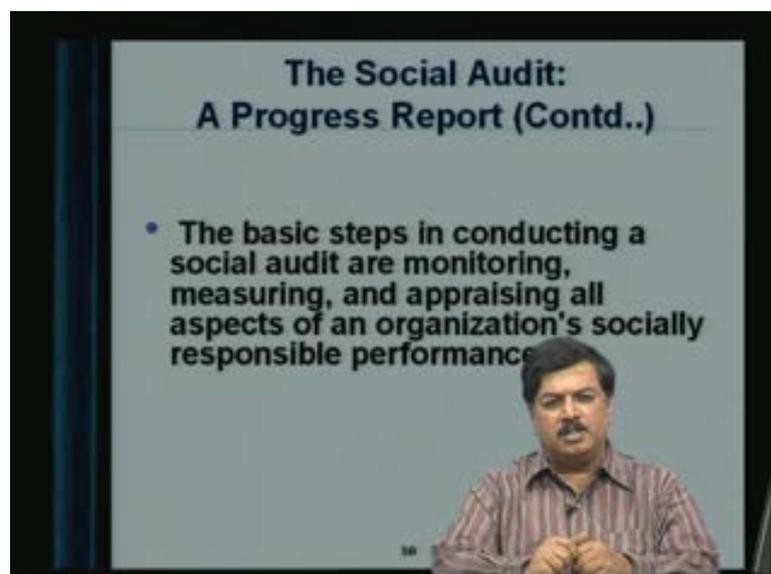
**The Social Audit:
A Progress Report**

- **A social audit is the process of taking measurements of social responsibility to assess organizational performance in this area.**

40

A man in a striped shirt is visible in the bottom right corner of the slide.

(Refer Slide Time: 41:15)



**The Social Audit:
A Progress Report (Contd..)**

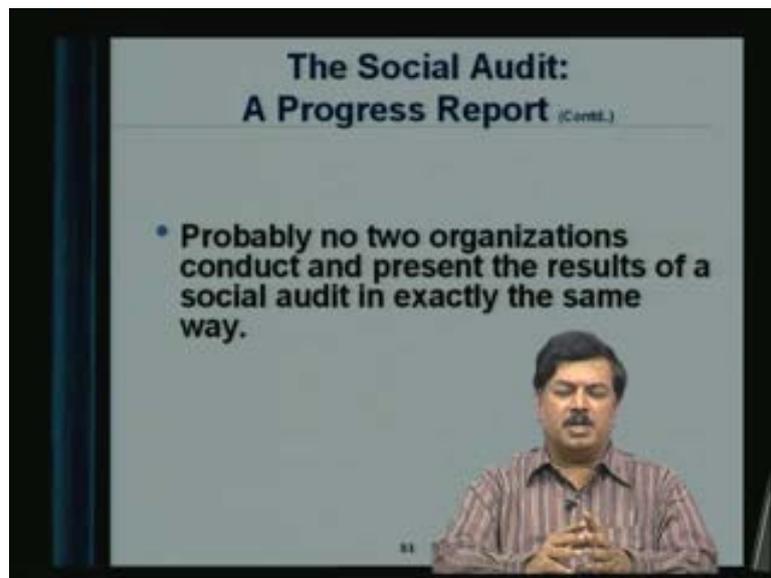
- **The basic steps in conducting a social audit are monitoring, measuring, and appraising all aspects of an organization's socially responsible performance.**

41

A man in a striped shirt is visible in the bottom right corner of the slide.

So that means whether the organization is known for in providing an expertise or providing resources to help overcome some of the difficulties or problems of the society. So people are using this word when we have to talk about externally, it is a kind of a social audit a social audit is the process of taking measurements of social responsibility to assess organizational performance in this area. So now, we are trying to build what are the dimensions of social audit depending upon the nature and functioning of the organization itself.

(Refer Slide Time: 41:35)



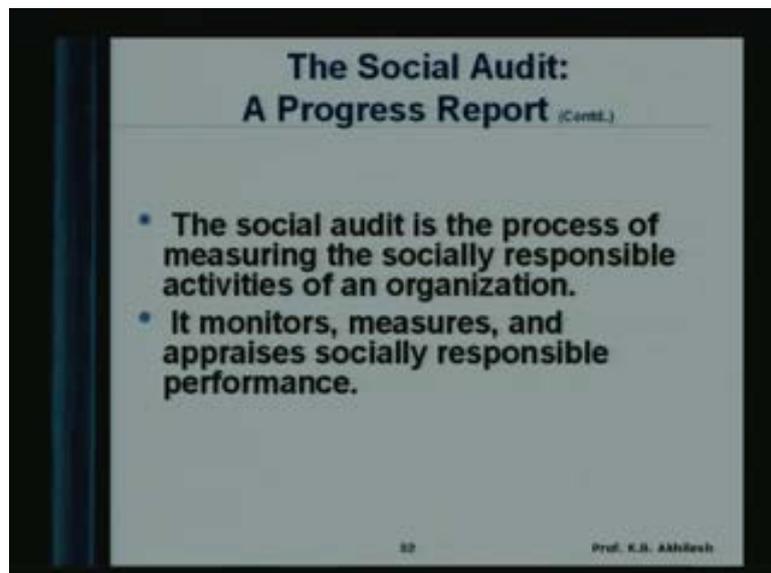
The Social Audit:
A Progress Report (Contd.)

- Probably no two organizations conduct and present the results of a social audit in exactly the same way.

11

A man in a striped shirt is speaking in front of the slide.

(Refer Slide Time: 41:58)



The Social Audit:
A Progress Report (Contd.)

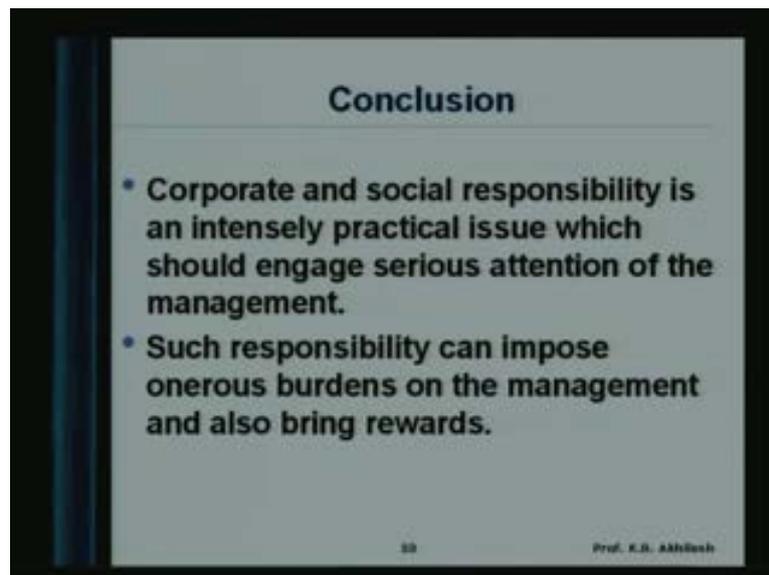
- The social audit is the process of measuring the socially responsible activities of an organization.
- It monitors, measures, and appraises socially responsible performance.

12 Prof. K.B. Ahluwalia

So the basic steps in conducting a social audit or monitoring, measuring and appraising all aspects of an organization's... now the particularly, the socially responsible performance. So the socially responsible performance in different areas and no two organizations conduct and they present the results of a social audit in exactly the same way. So we cannot benchmark and say this organization is better that organization is great. So it is in that sense how can we run through the social audit, how can we capture the data becomes an important concern.

The social audit is the you know basically a process of measuring and the process of measurement means we have to consider all the necessary aspects and also we should not make it so exhaustive. So all the sufficient aspects need to be included and so the, you know it should monitor, it should measure and appraise and how the socially responsible performance are being developed or they delivered by the, by the organizations.

(Refer Slide Time: 42:30)



So when you are trying to see that ethics and the corporate social responsibility organizational response to the society, we need to see in initiates and also the kind of activities they could get into and also to they get into in a philosophical sense or do they get in a transactional sense or they get into an obligatory sense or they take these activates in a proactive sense. Organizations, when they become more proactive, when they start understanding and analyzing the problems and also deploy the organizational expertise, they tend to become much more useful and they become much more relevant.

We can take several case studies, we can take the several case studies of different organizations to understand what is that they have done or what is that they have extended their organizational resources. The specific activities are these now, one can see the many technology companies are helping the healthcare, healthcare in terms of providing the poor and the people who cannot afford give them that kind of a benefits like this “Aravind Eye Care Hospital” is supported by many many charities.

So such charities provide that kind of a required resources similarly, there are several organizations support cancer patients. So the cancer patients do require big money at the time of the crisis or when they have to be, when they have to be helped when they are terminally ill. So the organizations do provide the resources and the facility both in cash and kind and help the the patients to cope with such situations. There are organizations also send people who would would interact with such patients, I think this is one can see what one can do about with respect to the healthcare but also when you agree and move this to the other situations definitely the education sector becomes one of the most short after as you will see that organizations and performing organizations must support the quality of education at you know in the society, how is that they can do.

So the foundations established by enforces helps providing books library books particularly for all at the school level. So that well established libraries are available in the school, so that it develops a reading habits in them. Similarly, we find there are charities which takes care of the the the midday meals also people they call it is as the in Kannada aksharadha sodha. So there are different ways people take care of the basic requirements. Similarly there are organizations provide contributions to the organizations which are actively involved in the social, service activities may be it could be the kind of a rotary.

so the rotary clubs or certain other similar agencies they help both through the corporate charities and own charities to take care of specific problems, it may be providing the bus shelters or it may be providing specific amenities in the community, it could be providing computers to the school or providing drinking water facilities. So as charity has expanded scope of activities, operations supports such things through both cash as well as kind and the the very extensive work also can be done to build in terms of the capacity building at the societal level, a typically what these as in Asim Premji Foundation kind of a work where the

corporation makes available the the big money, so that the problems can be analyzed, the problems can be supported and they are making a big difference in the field of education.

To mention some examples of health, some examples of education one can one can support the society in different ways where some of the organizations are adapting the roads, adapting the roads to maintain that kind of quality or also creating green tree in the area of planning trees or also creating awareness in the in the society.

So that means you declare the particular day to support the the concern what people should have for road safety. So the road safety campaigns then you know the employees come together then create all the publicity material for that particular cause and then you do create that kind of an awareness campaign about the road safety and also you will see the examples coming from the organization where they also involve the relevant community. So that means they make that kind of a bridge, so that they help those people to address their problems as well as sort it out.

So as organizations keep understating and responding to it sometimes organizations do have some people who can I have some facilities to to see the what is that could be done. So there towards may be water recycling or maybe the storing this kind of a rain water harvesting.

So organizations do provide such help they can hire the resources or they can hire the required NGOs to do such activities within the within the society, organizations apart from these kind of a general problem solving situation also deal with the issues which can come as crisis, the crisis could come in terms of maybe an accident of a nature like a railway accident which nobody can could predict or it could be the the some of the national disasters.

So the national disasters involving earth quake and things like that. So the organization do respond in such situations by sending doctors, sending materials, collecting all the material from community which is more comfortable and transporting to the areas wherever it is required. The recent tsunami was another great experience where people organizations worked very hard to meet and move all the requirements and material supplies and as we start seeing this, the corporations why are they responding, why are the responding can be explained as we talked about the kind of approaches which they adopt. When they feel natural, when they feel that they are part of the society and they behave like any individual who has some responsibility, I think that is the best thing to happen.

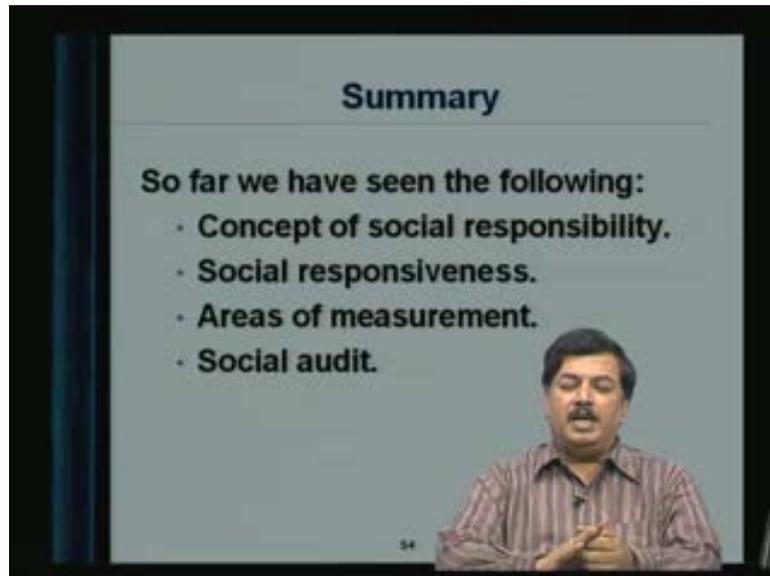
Instead of that government playing a middle role and making them through to pay through increased taxes or making through imposing some new stress on them, I think it is better that organizations respond voluntarily and helping in different ways in as many possible manners, I think that is what we are talking about as proactive social responsibility. So the progressively the organizations become socially responsive, I think they work contribute for the quality of life in general and also creating employees who are committed not only to the product services and the society at large. So that it makes them better citizens of the organization as well as the citizens of the society.

I think that is an important role the corporate social responsibility plays in strengthening the internal organization in creating a broader picture of the organization in relation to the society in which it functions and making sure that there is a positive energy at all levels with this dimensions of corporate social responsibility, we can really talk about this what is that the we need to see is the corporate and social responsibility is intensely practical issue which should engage serious attention of the management that means management cannot think it as a visual thinking, a nice to do thing or it should be done because somebody is asking for it.

So the management must feel that is the an important serious aspect and create a cell or create a section create a department which would take actively the issues of the society and internally create debates within the organizations and create people with values to take charge of the situation people with expertise to deal with and make a difference of the problems of the society.

I think taking care of that kind of proactive stance will help, improving the credibility of the organization, building challenges within the people, within the employees and also definitely create more positive energy at the social level. So such responsibility can impose a great burden on the management because it, it has to divert its attention it has to focus its energies on not only their own problems but also the problems of the others. So the dilemma should be seen in terms of that the response of the organization also brings rewards it brings the rewards where it functions in a healthy and the meaningful society.

(Refer Slide Time: 53:36)



Summary

So far we have seen the following:

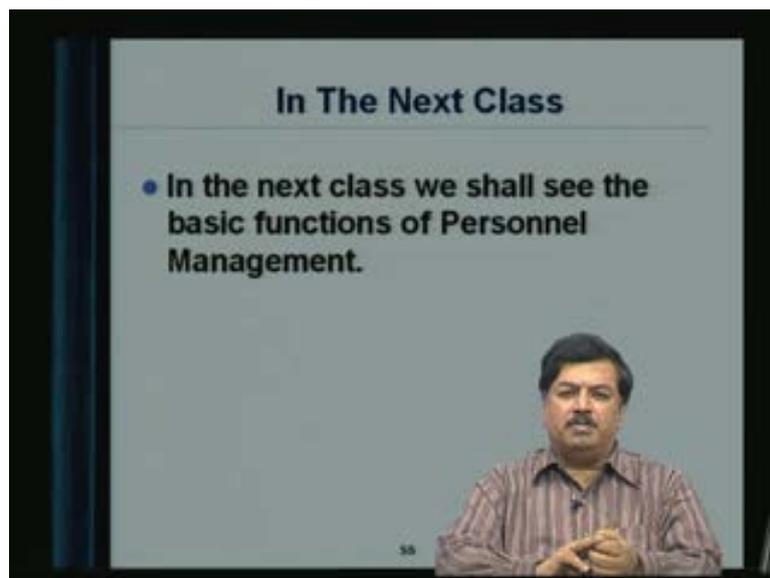
- **Concept of social responsibility.**
- **Social responsiveness.**
- **Areas of measurement.**
- **Social audit.**

54

A man in a striped shirt is speaking in front of the slide.

In summary, what we are talking about is the concept of social responsibility then we are also talking about the social responsiveness and the social responsiveness cannot be left to the choices but we need to focus and do the areas of measurement or we have to put correct methodologies to see whether the corporation is delivering the expected results or not.

(Refer Slide Time: 54:31)



In The Next Class

- **In the next class we shall see the basic functions of Personnel Management.**

55

A man in a striped shirt is speaking in front of the slide.

So that the resources which are in scarce are not wasted and also a comparatively one need to do the benchmarking in terms of conduct of the social audit. In social audit systematically, we need to analyze and compare how these organizations are proactively respond into the societal problems and what we will do?

We will look at rom the social responsiveness, we will move onto an another important area, another important function, the human resource management, the personnel management and we will analyze and understand the scope of this personnel functions in any organization and how a responsible proactive human resource management would make a big difference to the corporations.