

**Group Dynamics**  
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**Module 7- Part IV**

**Lecture - 26**  
**Organizational Justice, Ethics and Corporate Social Responsibility: Part-IV**

Hello friends, welcome back. Since we are talking about organizational ethics, ethics has also something beyond it. Organizations not only think about right behavior in organizations, but they also focus on how to expand this rightness in behavior to the larger world. How they can contribute their ethicality in the improvement, growth and contribution to the society and the larger world.

So beyond ethics is corporate social responsibility. This is a term which talks about responsibility that is being taken over by every successful company, that to what extent they can contribute to the society, they can contribute to a particular community, they can contribute to the external world in a better way.

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**Beyond Ethics: Corporate Social Responsibility**

To quote Henry Ford, "A business that makes nothing but money is a poor kind of business."

Although organizations are responsible for obeying the law and answering to yet a higher standard, "behaving ethically."

Many organizations are going beyond their ethical responsibilities by taking proactive steps to help society at large by virtue of their philanthropic(charitable) contributions

Organizations are responsible for three types of responsibilities: *economic responsibilities, legal responsibilities, ethical responsibilities, and philanthropic responsibilities*

Collectively, this is referred to as the *pyramid of corporate social responsibility*. The pyramid metaphor is used to reflect the fact that the most basic form of responsibility—economic responsibility, is at the base of the pyramid. After all, unless a company makes money, it will go out of business, making it impossible to attend to its other responsibilities

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So when we talk about corporate social responsibility, it is stated that a business that makes nothing but money is a poor kind of business, because earning money or making money out of business is the prime objective, but how to use that money for the betterment of the society, that is a more higher objective of any organization. This higher objective is actually the corporate social responsibility.

So although organizations are responsible for obeying the law and answering but to yet a higher standard that is behaving ethically. Just now I said that ethically behaving in any organization can also be expanded to the external world, to the higher existence. Why, because this has something to offer and again something good in return. When we are doing good, then good will happen to the organization automatically.

So this is corporate social responsibility, which goes beyond obeying the laws and behaving ethically for the external world. So when we talk about corporate social responsibility, then actually these involve practices with steps to help society at large by virtue of their philanthropic or charitable contributions. Any particular organization can contribute in the form of, contributing in the area of education, in the form of sustaining environment, in the form of any NGO.

For example, Wipro. They have a strong corporate social responsibility in education sector. So there are different kinds of philanthropic practices which are being offered by every successful organization, where the organizational culture is highly ethical. And that automatically expands to the external world to a larger society in form of CSR or corporate social responsibility.

So organizations are responsible for these type of responsibilities in three way; economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. Economic responsibility to use the money for the business for the expansion in a better way, where more opportunity is there for employment, there is more opportunity for employees to enhance their skill.

It can be legal responsibility, where the organization is functioning clearly on the grounds of appropriate laws, rules, regulations and policies. There is no misappropriation of the funds, there is no deregulation of the laws, policies and procedures. Other is ethical responsibilities.

When we talk about CSR or corporate social responsibility, then ethical responsibility comes in terms of pay in terms of respect, in terms of relationship, in terms of avoiding maintaining their own personal interest and not indulge in conflict of interest at the

same time. And the most important is philanthropic responsibilities, contributing to the society in a different way.

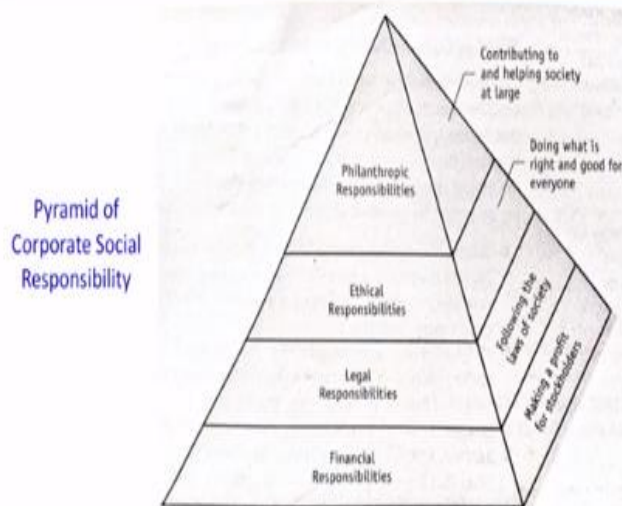
It can be in form of education, it can be in form of sustenance, it can be in form of environment, where less plastic use is encouraged, or it can be in terms of becoming more conscious towards the environment. So in every sense, corporate social responsibility talks about every kind of responsibility that is extended to the larger society; that is economic, legal, ethical and philanthropic responsibility.

So collectively, this is referred to as a pyramid of corporate social responsibility. When we are talking about four responsibilities, economic legal, ethical and philanthropic, then actually it forms a pyramid of corporate social responsibility and in the pyramid, it is found that the economic responsibility or the financial responsibility is at the bottom line.

So the pyramid is a metaphor used to reflect the fact that the most basic form of responsibility that is economic or financial responsibility is at the base of the pyramid. Why, because if money is being earned, then it is being used for the business. So the criteria of having high CSR is that use that money to perform the philanthropy responsibilities, making it impossible to attend to its other responsibilities.

That means, when money has been earned, financial success has been achieved and we fail to meet the philanthropic responsibilities, then there is no point in engaging with the larger community.

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So this is the pyramid of corporate responsibility where we can say that the financial responsibility is at the bottom right, making a profit for stakeholders. If every profit goes to the stakeholders, then no money is left for philanthropic responsibilities. So as soon as financial success is achieved, it is better to satisfy the first aim that is philanthropic responsibilities in terms of contributing to the society at large.

Then comes the ethical responsibility for doing what is right and doing good for everyone. The other is legal responsibilities. That is following the laws of society. And the last is financial responsibility. That is, we are making a profit for stake holders or the stockholders when all the money is invested and nothing is there for philanthropic, ethical and legal responsibilities.

To satisfy the top most the financial responsibility becomes the last responsibility in corporate social responsibility. So let us define that what is corporate social responsibility in true sense.

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### Defining Corporate Social Responsibility

- ✓ It describes business practices that adhere to ethical values that comply with legal requirements, demonstrates respect for individuals, and promote the betterment of the community at large and the environment
  - ✓ It involves operating a business in a manner that meets or exceeds the ethical, legal and public, expectations that society has of business
  - ✓ It is also called corporate sustainability, sustainable business, corporate conscience, corporate citizenship, conscious capitalism, or responsible business
  - ✓ Organizations that embrace corporate social responsibility are typically organized in a manner that empowers them to be and act in a socially responsible way to have a positive impact on the world. It is a form of self-regulation that can be expressed in initiatives or strategies, depending on an organization's goals
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Just now we talked about that how companies and organizations can expand beyond their boundaries or push their boundaries to society at large. Now coming to the official definition of CSR, it describes business practices that adhere to ethical values that comply with legal requirements, demonstrate respect for individuals and promote the betterment of the community at large and the environment.

It involves operating a business in a manner that meets or exceeds the ethical, legal and public expectations that society has of business. We have big empires, business empires. It is not that they are just contributing to their own bank accounts, it is actually that they are expanding to the larger society and offer more opportunities to the world.

So it is also known as corporate sustainability, sustainable business, corporate conscience, corporate citizenship, conscious capitalism or responsible business. And in all the terms lies corporate social responsibility. So organizations that embrace CSR are typically organized in a manner that empowers the employees and the society in a very responsible way that have a positive impact on society at large.

So it is a form of self-regulation that can be expressed in initiatives or strategies beyond depending on an organization's goal. That means whatever is the purpose or objective of the organization pertaining to their business, they will expand in contributing to the society at large in a very regulated manner, that whatever business they are making, whatever profit they are making, they will contribute to the society in a very systematic manner.

For example, one organization who has made maximum profit in a year, then they will definitely have a target where to contribute to the society in terms of environmental or in terms of education, in terms of adult education, in terms of enhancing the skills of the local community. So that is how these responsibilities are being taken up.

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**In search of the "Triple Bottom-Line"(TBL)- A Contemporary Notion**

The contemporary notion is that organizations are often guided by a concept known as the **triple bottom line**. This states that in addition to focusing on an organization's financial performance, organizations should be committed to measuring its social and environmental impact, sustainability efforts, and profits. Examples of environmental issues include inadequate access to healthy food, inadequate transportation, air and water pollution, and unsafe homes, and examples of societal issues such as voting rights, refugee crises, workers' rights, economic justice, healthcare, hunger, education, gun violence, and more.

- ✓ Thus, the triple bottom line (TBL) is an accounting framework that includes social, environmental, and financial results as bottom lines
- ✓ The adage "profit, people, planet", the three P's is often used to summarize the driving force behind the triple bottom line

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Now once we are talking about CSR, then again we have to talk about some ethics as well. Why, because ethics and corporate social responsibility goes hand in hand and to touch that notion, then triple bottom line has to be understood based on the concept that how the organizations are not only focusing on financial success of the organization, but there are certain elements that they are taking care of within that domain.

So this domain comprises of three elements; social, environment, and financial results. When these three aspects are being considered by any successful organization, then the triple bottom line can be touched upon in one go, although these three elements are separate from each other. So when we talk about triple bottom line, then it is a contemporary notion, a latest notion that has been imbibed in the concept of CSR and ethics.

So the notion says that organizations are often guided by a concept known as the triple bottom line. This states that in addition to focusing on an organization's financial performance, organizations should also be committed to measure its social and environmental impact, sustainability efforts, profits. For example, environmental issues

should include to overcome inadequate access to healthy food, inadequate transportation, air and water pollution.

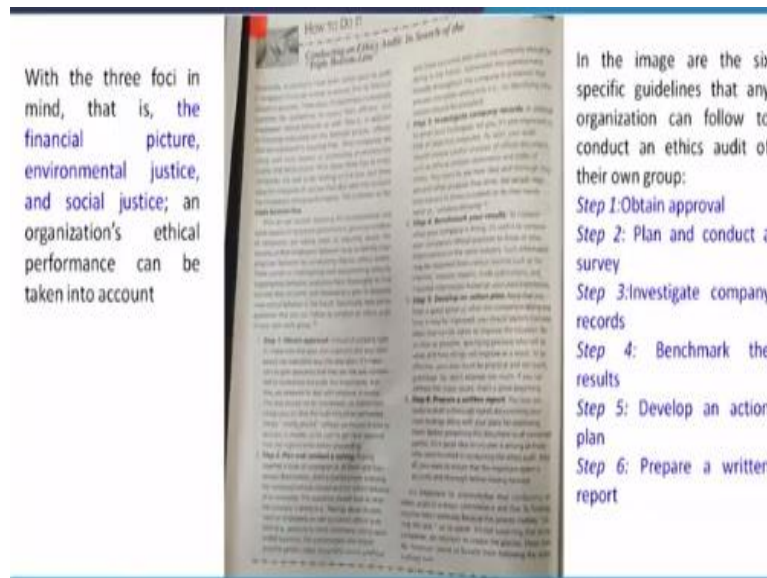
That means, with the financial success, the organization should also contribute to the environmental issues, resolving environmental issues, and at the same time the societal issues such as voting rights, refugee crisis, worker's rights, economic justice, healthcare, hunger, education, gun violence and more.

So that means whatever financial success data has been achieved, along with financial management, social and environmental aspects should also be considered to achieve or touch the triple bottom line, which is a contemporary notion when it comes to CSR and ethics. So thus the triple bottom line is an accounting framework that includes social, environmental and financial results as bottom lines.

That means these are the standards which should be touched upon by every organization and entails CSR. So the adage is, that means when we are talking about ethics, when we are talking about CSR in parallel, then it focus on three P's; profit, people, and planet, which is often used to summarize the driving force behind the triple bottom line. That means it is a holistic concept to touch upon the lives of every worker, every individual in the society, to the maximum.

People, profit, and planet, three P's. So they are taking care of the planet in terms of environment, they are taking care of the profit in terms of financial achievements, they are taking care of people in terms of social justice. So this is the triple bottom line in connection with CSR and ethics.

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So when we are talking about triple bottom line, then social scientists have also talked about ethical audit in terms that how these three elements that is the financial picture, environmental justice and social justice should come into one picture, although they are handled separately and that requires an ethics audit that how it involves a step by step guideline.

Every organization is indulged in this kind of audit and identify and set patterns for further actions in terms of CSR. So in this picture, that has been presented on this slide, it has about six steps, guidelines. The first is to obtain approval from the organization, that what kind of study has to be conducted to understand the ethical aspects in terms of finance, in terms of social justice and environmental justice.

There has to be a plan and conduct a survey. A proper questionnaire is being used and every member of the organization right from bottom line to the higher authority, every person has to engage in filling up the questionnaire about what they feel about these three elements. Finance, social and environmental aspects.

They investigate the company records based on the previous records on the cases whatever has been launched in form of documents, they are being rigorously studied and analyzed by the experts. Benchmark the results. That means what should be the criteria of declaring any organization as highly responsible organizations, then benchmark is being set, a standard is being said that this is how it has to be.



There are proper guideline that how to raise an organization's bar. Develop an action plan. When the benchmark has been set, then how that benchmark will be touched upon, will be achieved, that requires an action plan. An action plan can be in terms of policy, it can be in terms of training, it can be in terms of technology that is being used, so that that benchmarking can be achieved.

And the last is prepare a written report. When all the data is been collected based on the previous records present and future plans a report is being presented, which actually clarifies, give a clear picture about the ethical standards of any organization to deal with triple bottom line, where the focus is three elements; finance, social and environmental elements.

So based on this ethics audit, when this audit is conducted, then these three elements can be taken into account and a proper picture can be represented by the experts to enhance the responsibility, corporate responsibility of the organizations or raise the bar of the responsibility of the organizations. So that is all for today. We will meet in the next discussion. Thank you.