

**Group Dynamics**  
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**Module 7**

**Lecture - 27**

**Organizational Justice, Ethics and Corporate Social Responsibility: Part-V**

Hello friends, welcome back. Let us continue with our discussion. We were talking about corporate social responsibility. In this session, I will talk about forms of socially responsible behavior.

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**Forms of Socially Responsible Behavior**

1. **Environmental Responsibility:** Environmental responsibility refers to the belief that organizations should create and behave in an environmentally friendly way as possible. It is one of the most common forms of corporate social responsibility. Some companies use the term "environmental stewardship" to refer to such initiatives

Companies that seek to embrace environmental responsibility can do so in several ways:

- ✓ Reducing pollution, greenhouse gas emissions, the use of single-use plastics, water consumption, and general waste
- ✓ Regulating energy consumption by increasing reliance on renewables, sustainable resources, and recycled or partially recycled materials
- ✓ Offsetting negative environmental impact; for example, by planting trees, funding research, and donating to related causes

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We have already discussed briefly about these kind of behaviors. Let us get into more details. So there are three or four forms of socially responsible behavior. The first is environmental responsibility of the organizations. This refers to the belief that organizations should create a system where they behave in an environmentally friendly way as possible.

It is one of the most common forms of corporate social responsibility. And it is also termed as environmental stewardship to refer to such kind of initiatives. That means, this connotes to reducing pollution, greenhouse emissions, the use of single use plastics, water consumption, reducing water consumption and general waste.

It also talks about regulating energy consumption by increasing reliance on renewables, sustainable resources and recycled or partially recycled materials, or negative environmental impact and offsetting negative environmental impact. For example, by planting trees, funding research and donating to related causes. Ultimately, the idea is that taking care of the environment in its greenest form.

So this is the first form of socially responsible behavior, which is very much well taken by corporates in today's time, where environment is very important. So all technology is also playing a major role for the organizations to behave in a very environmental friendly manner.

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- 2. **Ethical Responsibility:** Ethical responsibility is concerned with ensuring an organization is operating in a fair and ethical manner. Organizations that embrace ethical responsibility aim to practice ethical behavior through fair treatment of all stakeholders, including leadership, investors, employees, suppliers, and customers
    - ✓ Organizations can embrace ethical responsibility in different ways. For example, slavery or child labor
  - 3. **Philanthropic Responsibility:** Philanthropic responsibility refers to a business's aim to actively make the world and society a better place
    - ✓ In addition to acting as ethically and environmentally friendly as possible, organizations driven by philanthropic responsibility often dedicate a portion of their earnings. While many firms donate to charities and nonprofits that align with their guiding missions, others donate to worthy causes that do not directly relate to their business. Others go so far as to create their own charitable trust or organization to give back and have a positive impact on society
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The other is ethical responsibility. This is concerned with ensuring an organization to operate in a very fair and ethical manner. That means, organizations are encouraged to embrace responsibility which aims to practice fair treatment for all stakeholders including leadership, investors, employees, suppliers and customers. That means selling the right product to the customer to producing the right product for the customer.

And in between, which are the stakeholders, everybody is indulged or involved in the whole process in a very fair fashion. It can also connote to embrace ethical responsibility in terms of slavery and child labor, which is not encouraged in any organization or avoiding to connect with sweat shops. The other is philanthropic responsibility. This refers to business that aims to actively make the world and society a better place.

Now this kind of responsibility is dedicated to different drives by the organizations and they dedicate some portion of their earnings to the society, for the development and growth of the society. It can be in form of donation, it can be in form of aligning with some associations or bodies for guiding their missions. And it can be also in form of giving charity to any organization and giving back to the society again.

That means for example, any organization who is contributing to some any NGO, and NGO is again contributing to the society. So there is double gain to the society through some philanthropic activities.

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**4. Economic Responsibility:** Economic responsibility is the practice of an organization backing all of its financial decisions in its commitment to do good in the areas listed above. The end goal is not to simply maximize profits, but make sure the business operations positively impact the environment, people, and society

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Yes, and the other is economic responsibility. This is a practice of an organization backing all the financial decisions in a very committed and fair manner. That means it focus not only on maximizing the profits, but also taking care of the environment, people and society at the same level.

Again, the triple bottom line should be of highest consideration for the organizations when it comes to economic responsibility, when it comes to ethical responsibility, when it comes to social responsibility, when it comes to environmental responsibility. So when these form of responsible behaviors are being performed at one platform, then actually it certifies any organization to be socially responsible organization.

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### Common CSR actions

- **Environmental sustainability:** recycling, waste management, water management, renewable energy, reusable materials, reducing paper use
- **Human capital enhancement:** Companies provide additional resources for capacity building of local employees, including technical and professional training, adult basic education, and language classes
- **Community involvement:** This can include raising money for local charities, providing volunteers, sponsoring local events, employing local workers, supporting local economic growth, engaging in fair trade practices, etc
- **Ethical marketing:** Companies that ethically market to consumers are placing a higher value on their customers and respecting them as people who are ends in themselves. They do not try to manipulate or falsely advertise to potential consumers. This is important for companies that want to be viewed as ethical

Some of the other CSR actions that are being performed by organizations which are being embraced by organizations are environmental sustainability, human capital enhancement, community involvement and ethical marketing. Environmental sustainability, it deals with recycling, waste management, water management, renewable energy, reusable materials and reducing paper use.

The other is human capital enhancement in terms of providing technical and professional training to the employees and to the other, and expanding to the other parts of the society, adult basic education and language classes. The other is community involvement. It includes raising money for local charities, providing volunteers, sponsoring local events for community development, employing local workers, supporting local economic growth, engaging in fair trade practices etc.

That means in all these aspects, actions are completely focused on development of the society. And the other is ethical marketing. That product that has been launched has been manufactured in a way that it is beneficial for the customer and it is not only to capture the market in terms of monetary benefits. So this is ethical marketing. Because in marketing, the most important factor is the customer.

So when the customer is fooled, then automatically there is no gain for the organization. To gain from the customer, the organization's responsibility is to be very honest and fair in marketing the right product in the market.

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### Profitability and Social Responsibility: The virtuous cycle

Although profit may not be the primary objective for engaging in socially responsible behavior, it is clear that there is a strong link between the two. This connection appears to be "bidirectional in nature"

- ✓ The idea is straightforward, it is, "the tendency for companies that are successful financially to invest in social causes because they can afford to do so (i.e., they "do good by doing well") and for socially responsible companies to perform well financially (i.e. "they do well by doing good")
- ✓ Thus, creating a relationship referred to as the "virtuous circle"

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Okay, the next issue is how profit and social responsibility goes hand in hand. It is very difficult to maintain both the aspects. Either it is most of the time maintaining profitability and most of the time those corporate responsibility is taking place in any organization. But still there are organizations who are known for their corporate social responsible behavior, and how they are creating a virtuous cycle for themselves and for the societies.

So social scientists have talked about that the primary objective of any organization should be engaging in social responsible behavior, along with financial benefits. But this connection appears to be bidirectional in nature. That means it is not either socially responsible behavior or profit. Actually they complement each other and how they do it.

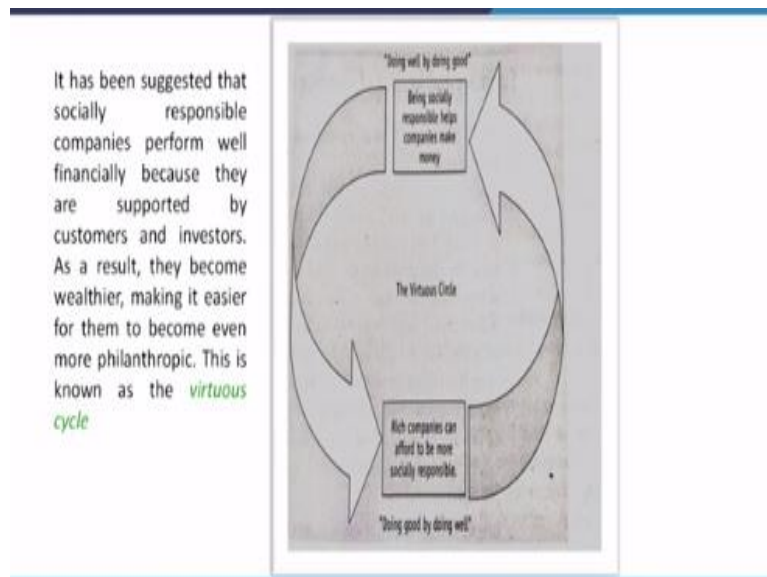
So the idea is very much straightforward, that it is a tendency of the organizations, especially of these successful organizations, that they invest financially in socially responsible behavior in a way that they do good by doing well. And for socially responsible companies, they perform well with financially, they do well by doing good.

That means, whenever the company is doing well, the investment is in a form that the return are very much profitable. And that profit are being again used for corporate social responsible behaviors. So ultimately at both the ends whether it is finance or responsible behavior. They both are expanding in their own way. But it is only happening because they are complementary to each other.

That means again I am repeating, that to invest in social causes, because they can afford to do so. That is do good by doing well. And for socially responsible companies to perform well financially that is companies will do well, by doing good. So it is complementary, they are dependent on each other. That means corporate social responsible behavior and profitability, they are dependent on each other.

Even companies who are highly responsible to contribute to the society, they attract more customers. So this is how they are creating a relationship in form of a virtuous cycle.

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We can go through this diagram where it has been suggested that how socially responsible companies perform well financially because they are supported by the customers and investors. When one company is engaging in socially responsible behaviors so they attract more customers and investors. They get more money from the external sources to invest more in the production and generate more money and use that money for the society.

As a result, they become wealthier making it easier for them to become even more philanthropic. This is known as the virtuous cycle. So both the ends the organization and the society, they are at advantage because they are complementary to each other. They are responsible to take care of each other in a very ethical manner.



So when we talk about corporate social responsibility this virtuous cycle can only be created when it is backed by the notions of ethics. Then only we can talk about corporate social responsible behaviors of any organization.

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Some examples of highly responsible actions from companies around the world

- *Alcoa*. Through its charitable foundation, this large aluminum products company has been helping the community by funding programs in violence and injury prevention, providing health care for those who cannot afford it, and improving opportunities for people with disabilities.<sup>82</sup>
- *Chiquita Brands International*. The world's top producer of bananas also is considered a leader in corporate social responsibility. The company has a Corporate Responsibility Officer at the vice president level, avoids using toxic chemicals, and unlike some competitors, refrains from mistreating and underpaying its laborers (see Figure 2.21, p. 78).<sup>83</sup>
- *McDonald's*. So extensive is this restaurant chain's commitment to social responsibility that it publishes a worldwide *Corporate Responsibility Report*, which in 2004 was 88 pages long.<sup>84</sup> Among its many activities, the Ronald McDonald House

These are the examples of highly responsible actions from companies around the world. Alcoa, Chiquita Brands International and McDonald's. They are labeled as highly responsible companies which take care of the society to a larger extent. One of these companies Alcoa, they are contributing to improving opportunities for people with disabilities.

Chiquita is a brand which is responsible for avoiding using toxic chemicals and refrain from mistreating and underpaying its labors. And McDonald's which is very much a brand in its own way, is among socially responsible company.

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The image shows two pages from a report. The left page is titled 'TABLE 1.1 Top 10 Most Socially Responsible Companies in the U.S. 2009-2010'. It lists ten companies with their names and brief descriptions of their social responsibility initiatives. The right page is titled 'TABLE 1.2 A List of Corporate Aid to Disaster Victims' and lists various companies along with descriptions of their disaster relief efforts, such as donating supplies, providing financial aid, and offering services to affected communities.

These are the top most socially responsible companies in the US. We have the data for this although it is an old data. Fannie Mae, Procter & Gamble, Intel, St. Paul Companies, Deere & Co, Avon Products, Hewlett-Packard, Ecolab, IBM, Herman Miller, these are the companies which are holding the society in a very responsible manner. They are contributing to the societies in a very ethical manner.

And the other is the list of the companies who have contributed to any specific country when they have experienced any natural disaster. So these are Amazon, eBay, Time Warner, Starbucks, Coca Cola, Johnson & Johnson, Pfizer, Walmart, ExxonMobil. These are the companies who have time to time come forward to contribute to the societies and countries when they have experienced any trauma or natural disaster.

So how they are soliciting goodwill, how they are soliciting customers, how they are soliciting financial profits and success. That is the idea of creating a virtuous circle. So this is the concept of corporate social responsibility, which is a main component for the success of any organization in long run. Thank you so much.