

Business Ethics
Prof. Susmita Mukhopadhyay
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Lecture – 48
Government, regulation and business ethics

Welcome, with the growth of the corporate attempts to influence government policies through various techniques, the issues of business relations, with the government as increasingly becoming key issue for business ethics. As we have seen in the previous discussions like there are three major actors in the scenario, the three major sectors; one is the market sector, another is the state sector and the third sector that we have seen in the last module is that of the civil society organization. So, the state sector and the civil society organizations are the two sectors, who have a major influence on how the business functions and correspondingly the business is also spreading a major influence on how the state is functioning through its corporate citizenship roles.

In today's discussion, we are going to study the interrelationships between the government and the corporate and the ethical issues that arise out of it. So, we will discuss about government, regulations and business ethics. So, why this discussion is important? Because with the changing nature of time, with the changing nature of globalization it is very important that the corporate knows their responsibility and also the government knows what to expect of the corporate because policing of the multinational organizations becomes very difficult in a globalized situations. So, what can be done in this context? How the government can make some influence on the corporate so that they are motivated to follow the sustainability practices? All these we will be discussed in today's modules.

Today's discussion we will cover the role of government as an important stakeholder. It will discuss the ethical issues in the government business relations. It will take the context of globalization and study these relationship of the government and changing relationship of the government and the business houses. It will look into the corporate citizenship role and how it is affecting the relationship with the government and it will also focus the role of government in the sustainability issues. These will be the five

modules of today's discussion. So, before we move on to the definition of the; government as a stakeholder, let us visit some important definitions.

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So, by government we understand; a variety of institutions and the actors at different levels that share a common power to issue laws. By laws we understand its serves as a codification into explicit rules of the consensus about what a society regards as right and wrong. By regulation we understand rules that are issued by the governmental actors and other delegated authorities to constrain, enable or encourage particular business behaviors. Regulation includes rule, definitions, laws, mechanisms, processes, sanctions and incentives.

So, what is important over here? We will see through the different upcoming discussions. The regulations are very important because that is where the firm controlling mechanism comes, that is where it becomes important is implementation of those regulations also and it depends on the and ethical issues come up regarding this like, how strong the government is in not only stating the regulations or defining it, but also implementing it? Can it be implemented properly? What is the relative power dynamics between the government and the corporate? So, can it be universally implemented or not? These questions will become relevant in the subsequent discussions. So, regulations are very important in the context when we are discussing government and business ethics and that will be the focus of our discussion throughout.

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When we understand government as a stakeholder of business, as per the definition of stakeholder it is a group or individual who no affects or gets affected by the nature of the business and the things that it is produced or the services produced. When we are looking government as a stakeholder of business, we see two different roles of the government. On one hand is the government's role as the elected representative of the citizens interest because in today's sense of the term, government is the body which is meant to take care of the citizens needs expectations and meeting their demands and that is the purpose like that the citizens have elected them for.

So, government has two roles where, the government has the role of being elected representative of the citizens interest and another role where, the government is an actor or a group of actors with interest of his own. Where, interest of its own means for the survival of the government itself. So, when the government has an elected representative of the citizens interest, they have two different roles, they can play two different roles. They can play the role of restricting the interests of the business means growth of business. So, restricting business or they can enable business.

Government is an actor for its own survival. So, that it gets elected again or it can maintain its own sustenance. Government can play two roles again, which is dependent on business and competing with business, so for its self sustenance. So, these are the four different roles in which government do interact with business. It can play the role of

restricting the business, it can play the role of enabling the business, it can play the role of being dependent on the business and also it can play the role of competing with business.

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Government as a representative of citizens' interests

- Unlike many other stakeholders, government in principle represents an *entire community* since it is elected by the citizens of a certain town, region, country or even continent
- In this role as the *elected representative of citizens' interests*
 - Defines the conditions for the licence to operate of business
 - Restricting business
 - Enabling business
- Debate about the *degree* of governmental responsibility for a functioning economy
 - Laissez-faire vs. forceful role in industrial policy

In the next discussions that are going to follow; we are going to elaborate on each of these roles and from there, after the elaboration may be you are going to focus also into the ethical issues which may generate out of these four differing roles that the government has with the corporate. So, as we already discussed the government has the role of being the representative of the citizens interest. So, as a representative of the citizens interest, they can play two roles of either restricting the business or enabling the business. And where we are talking of restricting or enabling the business, we understand like we understand the licenses given to operate, defines the conditions for the license to operate of the business. So, whether it gives a restrictive environment or a facilitatory environment.

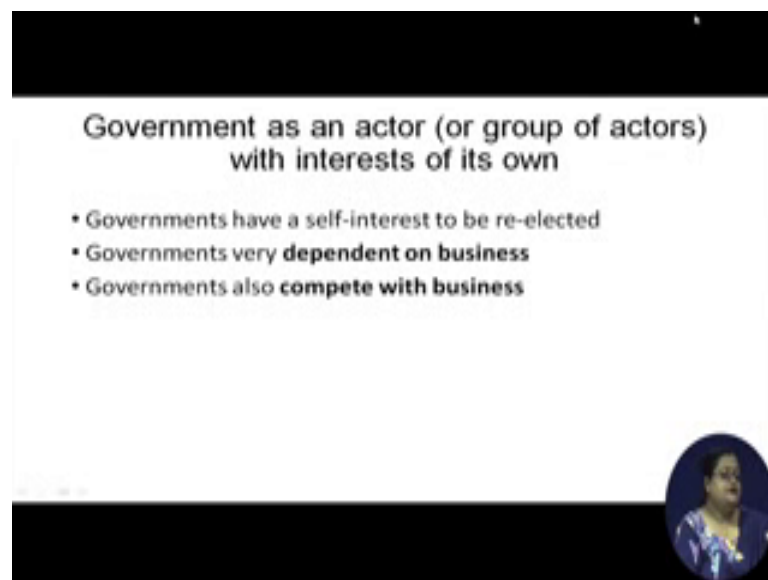
So, by restricting the business so it may so happen, it may put certain conditions strict conditions which may restrict the global competitors to enter. So, that it gives like a facilitating environment for the local competitors to survive and it gives a like they do not give any special advantage to the global competitors, who are coming in. In terms of enabling the business they take up roles which we will like inviting MNCs to come in, by given them certain relaxation in the regulations, giving them certain benefits all these

type of thing will help them the business to come in and may be contribute to the counties development. So however; there is a debate about the degree of governmental responsibility for the functioning of the economy. How far the government is responsible for the functioning of the economy?

So, it may range from a very passive role to of being Laissez faire means watching things as it is happened, happening to a very forceful role of like, forming in forceful role in deciding on the industrial policy. So, in Laissez faire it just forms rules and regulations and to control the compliances of the economic towards to control the compliances, but where in industrial in forceful, in industrial policy takes very active role in deciding the policies and interfering with the, thus interfering with the economy.

So, in this case when it is like the forceful role in industrial policy in many cases it is found like the many organizations are government owned and that is why like government owned or very fine like the government takes active step in preventing employees from getting affected, when the employers go to bankrupts and these types of conditions or forceful role in the industrial policies

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When we are talking of government as an actor or group of actors here, we are having the self interest of the government in mind where their self interest is to be reelected. So, in when there is a self interest to be reelected the two roles that can be played over here are the governments, are dependent on business or the governments are also may be

competing with business also. So, when we are talking of government is dependent on business where, ethical issues may come up regarding government is dependent business to provide some of the facilities, play or the take care of the social problems or when it talks of party funding, these types of issues will come up when we discuss issues like governments dependency on business.

When governments are competing with business in that case, so we find like the businesses like which are generally getting privatized now have been taken up by the corporates like the publicly funded organizations and facilities are becoming more privatized and been taken up by the corporates and the government public funded organizations for these specific services are now competing with the business houses, with the corporates for their own survival. So, these are conditions where governments are competing with the business. In similar nature of business when there, is a public organization and a privatized services for the efficiency and effectiveness, maintaining the efficiency and effectiveness of the services and products their governments and the business houses are competing with each other to be in the market, to attract more customers. So, these are also a type of relationship when government is an actor and the interest of its own.

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Based on these four different types of relations, as we understand like because the nature of relationship is not same; somewhere the government is playing a more dominant role

in either restricting or enabling the business role that of a regulator. And when, we are talking of the role, as another actor similar in power with that of the competitor. So, just like another business competitor. So, the government is playing a role of competitor or even it is dependent on the organization for its own survival. So, here the corporate is expected to be more higher in power dynamics as compared to the government. So, there are different power relationships are there, in these four different types of relations which may give raise to different ethical issues, which we will be discussing in the next module.

Thank you.