

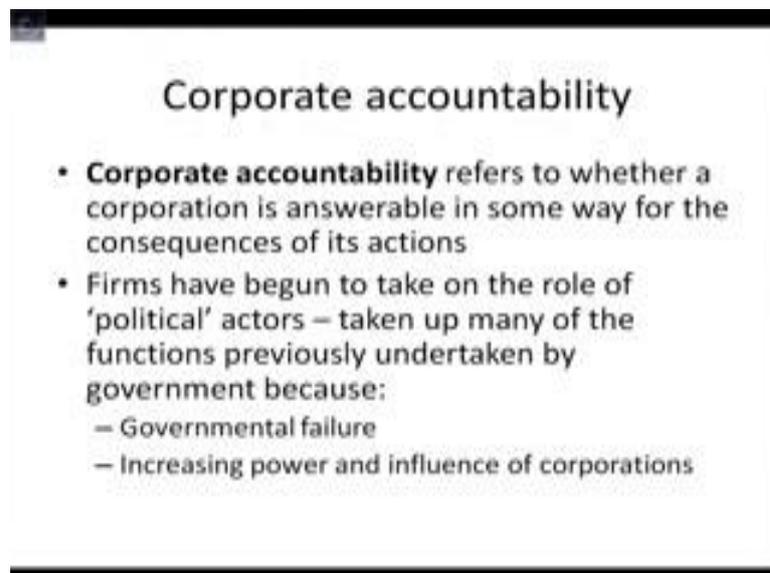
Business Ethics
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Lecture - 08
Corporate Accountability

Now we will be discussing about the concept of Corporate Accountability, where we will focus on the firm as a political actor. Before we discuss the concept of corporate accountability, we have to understand what we mean by corporate accountability. And in this context we have already visited the concept of stake holder theory of the firm where we saw like the firm is embedded in a network of relationship with different individuals or groups of individuals or bodies which have a stake in the functioning of the organization and the organization has a mutual two way relationship with the different stakeholders and the stakeholders of the stakeholders.

And the stakeholders are also mutually connected to a each other living to the fact that they in particular singular or together affect the business or they get affected by the way the corporation does its business. If that is the back drop then, obviously the question comes to like to whom the organization is accountable. And of course, should the organization be accountable and what we are accountable for? So, where we are talking of the concept of corporate accountability first let us understand what we mean by it.

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Corporate accountability

- **Corporate accountability** refers to whether a corporation is answerable in some way for the consequences of its actions
- Firms have begun to take on the role of 'political' actors – taken up many of the functions previously undertaken by government because:
 - Governmental failure
 - Increasing power and influence of corporations

Corporate accountability refers to whether the organization is responsible, is answerable in some way for the consequences of its action. I repeat, it means whether a corporation is answerable in some way for the consequences of its action in this we have to understand two things for what we are answerable and we are answerable to whom?

According to Fredman, if you remember this view point was yes the corporations are answerable, accountable only for the shareholders money and how they getting used and what returns their giving and the accountability of the firm lies with to the shareholders, but with the extended concept of stakeholder theory of the firm. We understand like it is the organization is accountable not only to the shareholder per say but they are accountable for all accountable to all the stakeholders. Then the next question comes like for; what they are accountable; if they are not doing its business properly they accountable for it only or accountable for certain social consequences also to the society at large or to the stakeholders at large.

According to Fredman they are responsible only for its business purposes and objectives and taking care of social causes is not within the ambit of the organization because they have not being trained for it and it is the responsibility of the government or the political parties to take care of this issues, but with the changing nature of the relationship where we have looked into the corporate social responsibility. And we have discussed the stakeholder theory of the firm there we find like the civil society means the society at large the civil society organizations. These have an important see also in how the business is done and how it affects the life of the society at large and also the environment and the civil society at large. So, because the organization is affecting the life of this society and the society also makes important contribution to the organization in terms of allowing you it to do the business over there.

Obviously, it develops a part of accountability of the organization to take care of the and it makes it answerable also to the society at large and it moves the organization towards playing some of the roles which originally government or the political actors were supposed to take up as defined by Fredman. So, with the changing nature of expectations with the changing nature of the mutuality of relationships with this role of corporate as political actors also emerged, because they are expected to deal with many of the social problems of the society in which they have got embedded as a part of doing the business.

So, when the corporate takes up this political role as it functions as a political actor it may be due to various reasons.

Let us now visit the reason which makes the corporate take up role of a political actor, the first of these reasons are of course, government failure. So, why we have to understand why government fails in many cases it. So, happens expectations are many problems are many and the complexities of the problems are there and the government may not find it like they are well may find it rather they are not well equipped enough to answer to the needs or the increasing demands coming up from the society or to tackle the increasing problems happening in the society, because there could be or source crunch in terms of number of things to be addressed together in terms of money in terms of infrastructure other things.

And in many cases some issues may be sensitive enough and government may not like to disturb the scenario by giving a political color to it, because it may again send repulse through the society in some region getting some benefits some region not getting some benefits, problems of a some group is addressed, problems of other groups are not addressed. So, because they sometimes are concerned about their own ballot boxes may be some inertia may be there the part of the government to take up such a measures or majorly may be they are lacking in the resources in terms of money or man power or infrastructure to answer to the complexity of the problems which are there.

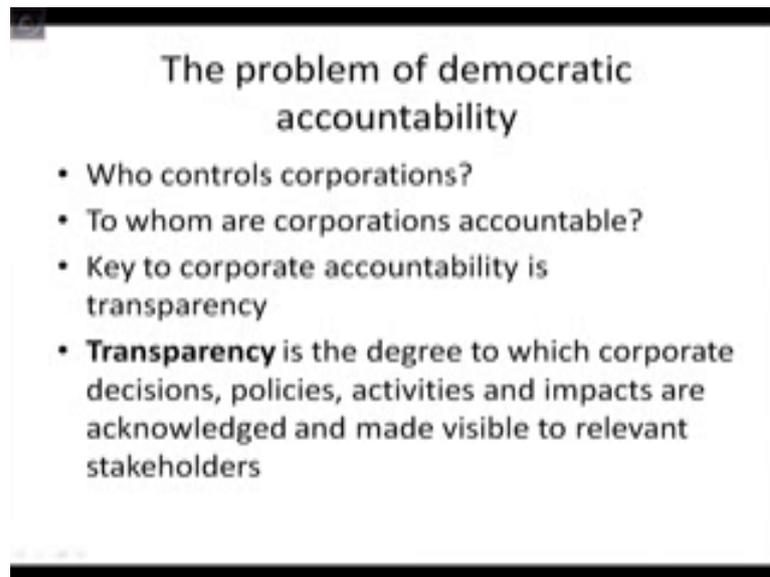
In this juncture, many of the things which were supposed to be like public responsibilities of the government have been privatized and corporate have been allowed into enter to that area to do the business so that the services can be provided to all for the greater interest of the citizens at large. So, this some cases privatization of the public services have been done one such thing is like the telecom services where you find like many private players have entered and that has made telephone services accessible every corner of the country. So, in this way for the greater interest of the society at large for up gradation of the society at large where the government may feel like it does not have the strength for say to take care of all this issues single handedly in those cases corporate through their expectations from the society they are expected to take up the role which the government is supposed to do and extends its presence in those areas.

So, one reason of the corporate acting must political actors is where the government has certain limitations of providing the services which it is supposed to provide second is the increasing influence and power of the corporations. However, it follows from point one only like if the government feels like a it is not well equipped to provide for the necessary services required for maintaining for the well being of its citizens and to maintain that level hand holding support or a partnership is required from the corporate and invites corporate to take a role which the government or the political actors who are responsible for defining the regulation setting up the loss was responsible.

This gives in a; increases the power and influence of the corporate in the mind of the society. So and what is expected also from this corporate is in terms of accountability is because there is no government not been able in some cases to frame the regulations; self regulation ethical codes of conduct how they do the business is expected from the corporate who enter into playing the role of political leaders, political actors for the organization for the society at large. So, what we see like increasing power and influence of the corporations.

2 reasons we find, first is the government failure and second is increasing of power and influence of corporations. These increased power and influence of the corporation is came it follows from point one where they are the gain power because and more influence because they have been invited in a role which the government was supposed to play and the expectations that accountability expectations are that of self regulation on the part of the corporate because if there are no regulations. And we defined by the political parties the government and the legislation then it is expected that the organization practice self regulation in terms of a ethical codes of conduct how they do the business, and that the standards and norms that they follow in how they are answering to the needs of the stakeholders or how they are respecting the rights of the stakeholders different stakeholders and the society at large.

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Then it comes to the; when we discussing accountability and we understand like the corporate have gained power and influence by contributing into the major of those social activities or taking care of the social problems which government or the political actors are generally supposed to do and that is how they have emerged as powers or increase their level of influence. So, next question comes is which is the problem we define is that of democratic accountability it comes to the question who controls the corporate, because they have gent; men power because they have gent immense influence because we have own the government only or the people in general only to upgrade its living standard as invited this people to take care of the social issues beyond their major objective of doing the business well for which it is said it is some extended role that is suppose the society is expecting the corporations to play.

That has given them power and spread major influence on the society at large and the government also if that is the situation the next question comes where we have made the organization. So, much powerful and influential then who controls the corporation whom they are accountable to? So, when we talk of who controls the corporation, it is of course, the stakeholders and generally what we tell? It is the consumers who control the organization, it is the consumers control the organization by virtue of their selection or de selection of certain organization whom they will buy from or not buy from.

This acts purchase power acts as a ballot; vote ballot for them in selecting or de selecting a particular organization, but as we will discuss the in the subsequent discussions about the consumers and business ethics may be will try to focus on this issues like this purchase power also is not very strong enough control to control the activities of the organization. If it wants to do something in a wrong way or unethical way, because in many cases it may not be an open market the consumers may or may not be rational thinkers who rationally decide and make purchases there could be unevenness in them market place they their choices and what the buyers know about the details of the products and services and so different factors may affect.

Whether they can utilize their purchase power properly to have a control on whether to make the corporation accountable to they were not. So, we have to understand the control lies not only with the consumer, but the control lies with all the stakeholders and they have to exercise the control properly to make the corporate not misuse the power and influence that as way given to them that they have derived from the mutual expectations and relationships from the society and the different stakeholders at large.

If the stakeholders and their expectations from the corporation to play certain role do certain activities in the social area which is beyond the activity for which the corporation has got formed have given rise to some derived power and influence in the corporate. The stakeholders should be careful enough to exercise the controlling mechanism which is there in their hand to see like the corporate is not misusing this derived power and functioning in the unethical way which is helping to the business only into flourish in its own selfish mode.

And it is not giving any development or sustainable development to the society at large. However, if we are comparing the power to it exercise this control we can understand to some extent there could be the power if we all the stakeholders are coming together may be the power of control increases, but if we are discussing on the power of each of the stakeholders to control the activities of the corporation individually then may the power is less, the strength is less as compared to the strength of the corporation.

Where we understand this like the power of this each of the stakeholders who have not combined the strength together to put it corporation under a net of control or resilience then it may so happen if you are comparing one to one with the individual stakeholders.

Individual stakeholders power of controlling the organization may be less and there comes the requirement of transparency on the part of organization self regulation on the part of the organization to exercise certain control and share it with the concerned stakeholder or groups of stakeholders.

So, when we are talking of transparency, transparency means it is the degree to which corporate decisions policies activities and impacts are acknowledged and made visible to relevant stakeholders. So, there are two important keywords in this definition, if you see the corporate decision policies, activities and impacts are acknowledged means the corporation acknowledges the fact yes the activities decisions taking the way it is doing the business is definitely going to have a impact on the society at large of the stakeholders concerns, stakeholders even if they realize or do not realize because I am doing the business in certain way that I means the corporate here definitely knows what is the degree of harm it is like transferring to the stakeholder even if the stakeholder realizes it, not realizes it and what is the degree of may be the benefit I am transferring to the stakeholder and what is the net benefit means benefit minus harm that I am transferring to the stakeholder.

And with comparison with what I take from the stakeholder also, even if the stakeholder realizes it not realizes it so, but the corporate realized it very well and transparency requires like first you acknowledge this fact and then you share this idea you make it visible to the your stakeholders like this what the I am doing and this is the result effect of it and this what you are getting an not getting out of it. So, how do you make it visible to your different stakeholders is through the process; how do you make it visible to your different stakeholders is through the different ways that you take either go on for taking audits in of your different performances with respect to your different stakeholders you account for each of the activities that you are doing and you audit for it and you make the reports public visible to all.

That is one way like you take audit it, account for it and make it visible for all the stakeholders so that they can understand how you are doing your business? What your business is leading to? Second is you can increase the stakeholder involvement the way you that do your business by increasing the communication of the stakeholders increasing the stakeholder dialogues involving them in some of your activities and constantly communicating to them through which ever media you may choose like. So,

that they are well aware of what you are doing how you are doing and they get involved also as a part of you are the whole process and you incorporate their suggestions in the different stages of how you are doing your business or how your processes are moving and how the ultimate output or deliverables are reached.

That will increase the level of transparency, and that will help to answer the stakeholder concerns and that will also help the stakeholders to have a control and check on what the corporate is doing and how it is doing? So, that will establish or strengthen the mutual relationship between the different stakeholders and the firm with this increasing responsibility and increasing expectations accountability of the organization to the society and the causes of the society.

Next we will discuss corporate as a citizen and so when we discussed started discussing corporate social responsibility and started defining corporate we started with defining corporate in the way these corporate are in the eyes of law corporate are artificial entities which are independent of the existence of its share holders, customers, employees and other people connected with the business. It has a separate entity and which is bond carry out certain functions objective defined for its purposes and if it is a perfect making organization corporation. So, it is to make profits for the business activities that is into.

In the process of discussing corporate social responsibility for the profit making organization, we discussed like it is not only important that the organization plays a answers the financial role properly by answering to the demands of the shareholders only, but it has to and how get return for the money, but has a moral and social responsibility also. So, not only to the shareholder but also to the different stakeholders at large and when you talking of corporate it social responsibility we discussed about economic, legal, ethical and (Refer Time: 34:31) responsibilities in which ethical and legal are the required part of the responsibilities and ethical is expected and (Refer Time: 34:42) is a desired responsibility.

And we discussed so how corporate just like an individual can answer is respond to each of this responsibilities and what outcome it may have in on the getters social impact in terms of social practices social policies social impact. So, when we discussing in terms of corporate social performance in terms of the social policies social programs and social impact then we are giving importance to the social responsibilities or the social role of

the entity we are talking of this corporate. And we are involving that entity more and more into the societal system in which it is doing the business. So, it is getting more and more embedded into the social system of the society in which it is doing the business and ultimately it is starting functioning in some way like the citizen of that country where it is doing the business.

Just like the citizen has certain rights and responsibilities to the country of which they have the citizenship. So, where we impose or where we try to see the corporate as citizens then there are certain again responsibilities of the corporate and expectations from the corporate that the society has from the corporate, because they are seen as citizens just like any other citizens human beings. So, if the expectation is that where you are identified as a citizen of a particular country then what are that rights that enjoy and what are the duties that you have to perform are discussed in the next part of discussion when we are focusing on corporate citizenship and different layers of it?

Thank you.