



CLASS: MBA 2ND SEM

Batch: 2020-22

LEGAL AND BUSINESS ENVIRONMENT
(Notes as per Punjab Technical University Syllabus)

Name of Faculty: Ms Hardeep Kaur

FACULTY OF Commerce and Management
SBS College, Ludhiana

UNIT – IV

SOCIAL RESPONSIBILITY OF BUSINESS/ CSR (CORPORATE SOCIAL RESPONSIBILITY)

Social responsibility means eliminating corrupt, irresponsible or unethical behaviour which might harm to the community, its people and the environment.

It is the idea that businesses should balance profit-making activities with activities that benefit society; it involves developing businesses with a positive relationship with the society in which they operate.

CAUSES OF GROWING CONCERN FOR SOCIAL RESPONSIBILITY

1. Social responsibility is a very effective exercise of public relations.
2. Image building of a business house in a society.
3. Two-way activities, **CSR** make the upliftment of society, which in turn will co-operate with business firm in achieving their business goals.
4. To make the best use of natural resources so as to raise the level of national income and standard living of people.
5. To create more and more employment opportunities for semiskilled people
6. To protect the ecology of nation.
7. To contribute to the economic development of backward region of the country.

SOCIAL RESPONSIBILITY OF BUSINESS TOWARDS DIFFERENT SECTIONS OF THE SOCIETY



1. Responsibility towards Employees:

- a) Fair wages and salaries
- b) Adequate Basic Facilities like safe drinking water, electricity, canteen, hygienic toilets.
- c) Skill development programmes.
- d) Good and safe working environment.
- e) Retirement benefits and pension schemes
- f) Collective bargaining o Insurance cover
- g) Medical facilities

2. Responsibility towards Customers:

- a) Charge reasonable price for products or services.
- b) Supply of right quality of goods in right quantity.
- c) No use of manipulated or false advertisements.
- d) Avoid unfair selling practices.
- e) Fair guarantee of product

3. Responsibility Towards Shareholders:

- a) A fair return on investment.

- b) Safety of invested capital.
- c) Regular and complete information about the performance and progress of the company.

4. Responsibility Towards Suppliers, Creditors:

- a) Maintain healthy and co-operative inter-business relationship between different businesses.
- b) Provide accurate and relevant information to creditors.
- c) Payment of price of materials on time.
- d) Prompt payment of interest on borrowed funds.
- e) Producing original documents for credit processing.

5. Responsibility Towards Public in General:

- a) Help the weaker section of the society.
- b) Creation of job opportunities.
- c) Improvement in living standards.
- d) Building of basic infrastructure like roads, sewerage.
- e) Health and educational development schemes.
- f) To make best use of society's resources for their welfare.

6. Responsibility towards Government:

- a) Payment of corporate tax in correct amount with no manipulation of profit figures.
- b) To avoid corrupting public servants by offering bribe.
- c) To encourage fair trade practices.
- d) To avoid monopoly practices.
- e) To improve national income.

7. Local community

Social responsibility of business towards the local community of its established area is significant. This is essential for smooth functioning of its activities without any agitations or

hindrances.

A business has a responsibility towards the local community besides which it is established and operates from. Industrial activities carried out in a local-area affect the lives of many people who reside in and around it. So, as a compensation for their hardship, an organization must do something or other to alleviate the intensity of suffering.

- a) As a service to the local community, a business can build:
- b) A trust-run hospital or health center for local patients,
- c) A primary and secondary school for local children,
- d) A diploma and degree college for local students,

8. Social Responsibility of Business towards Environmental Protection:

Business firms owe their existence to a number of resources. Basic resources such as labour and raw material needed by any business organization for its proper functioning come from the Mother Nature and the society.

Therefore, it becomes their moral and social obligation to protect the environment by taking the following measures:

1. The top management of the business organization should be committed to create and uphold the work culture for environmental protection.
2. The leaders and supervisors should communicate the ideals of environmental protection to all the employees of the organization. Regular assessments should be carried out to ensure that the ideals are being properly followed.

SOCIAL RESPONSIBILITY OF BUSINESS: IMPORTANCE:

1. Increase Employee Morale, Retention, Attendance and Performance:

A company's community involvement activities directly influence employees' feelings about their job. The more an employee knows about the company's programs, the more likely he or she will be loyal and positive about the company.

2. Develop Employee Skills:

Many company programs in the community can help foster employee skills. Volunteering and other forms of employee involvement help developing a variety of competencies, including teamwork, planning and implementation, communication, project management, listening skills and customer focus.

3. Enhance Company Reputation:

Active involvement in community activities builds a positive reputation with stakeholders in the company.

4. Attract Investors:

Companies noted for their corporate citizenship may experience an advantage in attracting investors, business partners, and new employees and in establishing customer preference.

5. Increase Customer Goodwill and Loyalty:

As the price and quality of products and services become increasingly standardized throughout many industries, community involvement may help differentiate a company from its competitors and increase brand loyalty.

6. Improve Relationships with The Community:

Many companies find that community involvement does not require sacrificing profits and, in fact, can open new markets, reduce local regulatory obstacles, provide access to the local political process, generate positive media coverage and increase company or brand awareness within the community. Research has shown that the public expects companies to “give back” more to their communities, and often views negatively the companies that are not perceived as doing their fair share.

BARRIERS TO SOCIAL RESPONSIBILITY

Social responsibility is affected by the following barriers:

1. Managerial Perceptions:

If employees of the organization want to assume social responsibility, their superiors may not allow them to do so. In such situations, they may be forced to choose between personal growth (and through it, organizational growth) and social growth. The inevitable choice is personal growth even if it is at the cost of social values.

2. Comparison of Divisional Performance:

Overall performance of the organisation is judged by the performance of its various departments. A department which discharges social responsibility may report lower profits than its counterparts. This may not be acceptable to top managers unless the social programmes are approved by them.

3. Overall Organizational Barriers:

Low profits on account of social responsibility may not be acceptable to owners (shareholders) or employees of the organisation if they lower dividends or wages. Catering to values of one section of society at the cost of another is not justified.

4. International Barriers:

If a multinational corporation is buying supplies from the home industry and domestic companies are selling their supplies at a higher price (because of social costs) vis-a-vis other countries, they may lose sales in the international market. International business may, thus, be a barrier to social responsiveness of business enterprises.

In view of the above discussion, it is advisable for business enterprises to take up social only if their benefits are more than the costs.

NEXT TOPIC

CROSS CULTURAL BUSINESS ENVIRONMENT

Globalization and advancements in technology have made cross-cultural business more common and increasingly important. No matter which country or industry you work in, chances are good that you'll have coworkers, partners, vendors, suppliers, or customers from different countries and different cultures.

In cross-cultural business environments, people are exposed to various cultural norms – including business etiquette, verbal and non-verbal communication, languages and unfamiliar business practices. Cultural differences can make it more challenging to communicate and understand each other, making people feel uncomfortable. If organizations and employees are aware of cultural nuances and learn how to work in cross-cultural settings, cultural diversity is a huge asset. It benefits organizations and employees and has societal benefits as well.

Importance/Benefits for the organization

People from different cultures often have different skills, experiences and perspectives. These differences challenge team members to be more open-minded about problems and how to solve them. So, intercultural business environments tend to promote higher levels of creativity and innovation. This is great for businesses because increased innovation leads to increased revenue.

In fact, one Boston Consulting Group study found that companies with diverse management teams have 19% higher revenues due to innovation. Another study by McKinsey showed that

companies with diverse executive boards saw far higher earnings than those who did not encourage diversity in the workplace.

Additionally, with international business on the rise, more and more companies are trying to move into new markets. Cross-cultural organizations have an easier time making this global move because cultural diversity is already part of their company DNA. When companies embrace cultural diversity and teach cultural awareness, their employees are better prepared to work across countries on an individual and group level.

Furthermore, organizations that champion culturally inclusive management practices often have higher employee retention levels. Many studies have shown that employees prioritize company culture – including diversity and inclusion. According to a Glassdoor poll, about 67% of job seekers said that diversity is an important factor when choosing job offers. Another survey by Yello found that 70% of employees would consider leaving their job if the company didn't demonstrate a commitment to diversity.

The same is true of consumers. According to a recent study, if two brands offer the same product, 34% of consumers consider each brand's commitment to diversity and inclusion when making their final purchasing decision. Also, about 64% of consumers are more likely to make a purchase after seeing a diverse brand advertisement. In addition to yielding benefits in business communication, having a message and company culture that consumers believe in drives brand loyalty and ultimately increases revenue.

Benefits for employees

Cross-cultural interactions help to develop some important interpersonal skills. Working with people from other cultures develops empathy, acceptance and tolerance. It empowers people to be more open-minded to others' ideas, talents and experiences. Engaging across national

and cultural boundaries also improves communication skills because people from different cultures sometimes require us to explain things differently, be more explicit and understand different languages or accents. Learning to communicate well in cross-cultural settings enables better communication with people from our own culture and the same language.

Another great benefit of cross-cultural business is increased opportunities for more people. Globalization and access to technology have helped break down cultural barriers and facilitated diversity in the workplace.

Cross-cultural business is a win-win for businesses and employees and has a great impact on society. However, when people don't know how to navigate cultural differences, they may hit more roadblocks than opportunities. One of the most significant barriers that people face is cross-cultural communication.

Why Cross-cultural Communications are Important?

Cross-cultural communication is invaluable in business. It is required for successful business negotiations, building relationships with global business partners and collaboration within and outside your team. Cross-cultural communication is not just about verbal communication either. It helps to be able to read body language and eye contact and communicate using other non-verbal cues. These nuances are unique to cultures and are very important to effective communication.

Tips for Improving Cross-Cultural Business Communication

1. **Develop Cultural Awareness** – Understanding the differences between one's own culture and the culture of others is called cultural awareness. Developing this understanding and striving to understand more is an essential step in cross-cultural communication. You can gain this awareness by asking questions, talking to people with different cultural backgrounds, visiting cultural museums or institutions, reading

books, or taking classes.

2. **Learn a New Language** – Learning a new language can be hugely beneficial for cross-cultural communication in business. Oftentimes, learning a new language helps us connect with others and gives us insight into the culture.
3. **Choose Face-to-Face Communication** – A lot of communication happens in our mannerisms and body language. As much as possible, try to communicate with people in person or on video. This helps to develop relationships and reduces miscommunication, a common problem in international business.
4. **Open Your Mind** – When you're part of a large global enterprise, you have colleagues from other cultures with a wide spectrum of perspectives, experiences and skills, which often differ from those that may be common in your own culture. When you have an open mind, you're more willing to hear new perspectives and try new ideas, both of which foster innovation.
5. **Be Flexible** – This is where we really embrace and practice trying new ideas. When we stay flexible, we are more open to improvement and opportunities – both of which are critical for professional and personal development. Try stepping out of your comfort zone and doing something a new way.
6. **Maintain Proper Etiquette** – When meeting with a new client or business associate, having proper etiquette is important. For example, if you're meeting someone from China, it would be helpful to know that a proper greeting is a nod or a bow. If you're meeting someone from India, it would be helpful to know that using your left hand to offer a drink, exchange money or give a business card is considered poor manners. Each culture has different rules of etiquette and formalities. Using poor etiquette communicates a lack of knowledge or care and could make the difference between a business win and a business fail. When in doubt, do your research and read the room.

Cross-cultural communication is a necessary capability as our world becomes increasingly

globalized and interconnected. Especially in business, being able to communicate across cultures is crucial to success. At Thunderbird, our curriculum teaches cross-cultural business skills to prepare leaders for a global career that can take them anywhere. We also offer a continuing education course dedicated to cross-cultural communication.