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THE ROLE & RESPONSIBILITY OF BUSINESS ORGANIZATION FOR SOCIAL WELL BEING

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ABSTRACT

In this paper, I have applied a "back to basics" concept to specify the role & responsibilities of business Organization for social well being. Three "basics" things comprise this concept. First principal of business is Morality for not harming others on the cost of own business profit; business managers have to ensure this responsibility while operating business affairs. The second principle is portraying the role of business in the society by taking account of values of the contemporary society & reflection of the business or economic activity i.e. markets and firms. The third one is having basic institutions that should restrict undesirable business activities. The purpose is to develop a framework for managerial decision making that could respects the fact of value of pluralism in a current global economy to foster meaningful criticism of current business practices while remaining sufficiently grounded in contemporary circumstances so as to be relevant for managers. I have also given focus on managerial role & model code of Business Conduct & Ethics for society.

KEYWORDS: *Business Organization, Society Well Being, Ethics, Harm, Managerial Decision Making.*

Introduction

In the field of business ethics, a good deal of efforts have been made for social well being & scholarship program is one of major concern has been developed to articulate and justify the role & responsibilities of business organizations and their managers for social well being that has been stated in following reference points: Much of this scholarship is framed as providing alternatives to "shareholder objective"— viewed that managers need to maximize shareholder returns subject to the law (Friedman 1962, 1970; Jensen 2002). Perhaps the most important alternative is stakeholder theory; business enterprises are to be managed in the interests of all who are and who can be affected by managerial decisions (e.g., Freeman et al. 2010). Other alternatives include corporate citizenship and the creation of shared value (Porter and Kramer 2011).

In addition, theories of corporate social responsibility (CSR) and the idea of a social license to operate reflect the idea that business enterprises have responsibility for the society independently that is required by law. In the contemporary time, such institutions or policies may differ significantly from the circumstances that business professionals confront, and questions about institutional or policy reform may be better addressed to outsiders of the economic sphere.

Issues & Challenges

Many organizations think that corporate social responsibility is a peripheral issue for their business and customer satisfaction more important for them. They imagine that customer satisfaction is now only about price and service, but they fail to point out on important changes that are taking place worldwide that could blow the business out of the water. The change is named as social responsibility which is an opportunity for the business. Some of the drivers pushing business towards CSR include: The Shrinking Role of Government In the past, governments have relied on legislation and regulation to

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deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead. Demands for Greater Disclosure There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations. Increased Customer Interest There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance. Growing Investor Pressure Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns. The Social Investment Forum reports that in the US in 1999, there was more than $2 trillion worth of assets invested in portfolios that used screens linked to the environment and social responsibility. The motive for launching CSR can vary between philanthropy or notions of corporate citizenship. After the Second World War, a variety of national and international regulations arose through bodies such as the International Labor Organization (ILO) emphasizing the need for an active social policy for transnational companies.

The first challenge is to ensure that the evaluation and guidance remains critical and meaningful, and not only modify the existing practices. The second challenge is to ensure a plausible justification for the role and responsibilities of business organizations for social well being, with specific attention valued pluralism in the respect of a global business. For example, third basic principle the account invokes the criterion of legality/Statutory—that is, the idea that certain actions on the part of business enterprises are inappropriate because they require the sort of legitimacy associated with states.

Also, as part of the first "basic," the account looks to basic principles of ordinary morality, such as a duty not to do harm, that apply across institutional perspectives. In dealing to general concepts, such as political legalities and basic principles of ordinary morality, the back-to-basics account also aims to address the second challenge noted above. Elsewhere, I have described such a concept as "minimalist" (Hsieh 2013b, 133).

The thought is to ground the role & responsibilities of business houses in widely accepted foundations and to avoid controversial assumptions, such as the idea that corporations are moral agents (Hsieh, forthcoming) and highly specialized theories that are specific to business ethics (Hsieh 2015c). The rest of the address is organized as follows: To help motivate and situate the back-to-basics account, I begin by summarizing another account with which it shares key features—specifically, a view that the basic institutions of business activity, such as markets, help specify the responsibilities of business professionals.

This account is the "Paretian" or "market failures" approach as put forward by Joseph Heath (2004, 2006, 2007, 2013, 2014) and Wayne Norman (2011, 2014). This approach involves two central claims. The first is that market ethics are adversarial in a way that may sanction or even require participants to ignore duties of ordinary morality.

The second is that considerations of allocated efficiency or aggregate social welfare justify this adversarial ethic and the use of markets, more generally. I then challenge the first claim by arguing that the market is not uniquely adversarial, or no more adversarial than other domains of life. Accordingly, one can look to ordinary morality and in particular the principle of not doing harm, as the basis for market morality.

This leads to the first "basic" of the back-to-basics account. I then challenge the second claim by arguing for characterizing the role of business in terms of values in addition to efficiency or social welfare. This brings us to the second "basic" of the back-to-basics account—the role of business framed in terms of markets and firms. I then turn to develop the third "basic"—social and political institutions—by using examples from the practice of human rights and the practice of corporate social responsibility (CSR). I conclude by summarizing what I understand to be the promise of the back-to-basics account and the key questions that need to be addressed to develop the account further.

Characterizing the Role of Business

As a way into the "basic" of the back-to-back approach, I turn to the second claim of the Paretian approach, which is that "increasing what economists call 'efficiency,' especially variations on the idea of Pareto optimality, or the 'aggregate welfare of society,' is the most basic justification of markets, and serves as the basis for a broad range of market regulations" (Norman 2014, 23).

In what follows, I first consider the justification for market activity grounded in Pareto optimality and then turn to its justification in considerations of aggregate social welfare. The Pareto optimality justification for the market in the Paretian approach follows the fundamental welfare concept of economics. The fundamental welfare concept holds that if certain conditions are met (e.g., no information asymmetry, well-defined property rights, no collusion), then the resulting allocation of goods, services, income, and wealth in a market is efficient in the sense that it is Pareto optimal—that is, nothing one can be made better off without someone being made worse off. Regulations play an important role in helping to ensure the conditions required to ensure the efficiency of the market.

Labeling requirements, for example, help to address the problem of information asymmetry between customers and sellers. Rules of intellectual property help to ensure well-defined property rights so that entrepreneurs and companies are not dissuaded from developing new products and services for fear of not being able to retain control of their innovations.

Anti-trust regulation helps to ensure the sellers do not collude by setting prices or engaging in other anti-competitive behavior. The responsibilities of business professionals, under the Paretian concept, are to comply with these regulations and, in the absence of regulations, to act in ways that are consistent with maintaining the efficiency of markets use in the absence of antitrust laws).

It seems, however, that many of the regulations governing markets are not easily accommodated within this Paretian conception of efficiency. Consider two examples often found in economics that are: rent control and the minimum wage. On one reading of the Paretian approach, such regulations should not be in place. They lead to inefficient outcomes.

Yet there may be good reasons from a broader societal perspective to have such regulations. In these examples, market regulations are at odds with the Paretian concept of efficiency. In other cases, the Paretian approach of efficiency is silent on questions of regulation.

Consider, for example, regulations that prohibit the sale of certain goods and services in the market, say for the reason that they are considered harmful to consumers. Justifying such regulation on the basis of a Paretian approach of efficiency involves comparing two equilibria: one in which there is no such prohibition and one in which there is. Although consumers may be better off with the regulation, the sellers of those goods and services are not.

Aggregate social welfare can accommodate evaluation of these sorts of regulations, but turning to aggregate social welfare raises two questions about the market failures concept as a guide for managerial decision making. The first is to specify the relevant conception of well-being to be maximized. In addition to the preference-satisfaction view of well-being that informs the fundamental welfare axiom of economics, there are, of course, a range of conceptions of well being that have been put forward in the scholarly literature, including the capability approach (Nussbaum 2000; Robyns 2005; Sen 1993) and the traditional view of well-being as pleasure (Bentham 1789; Mill 1863), among others (Parfit 1984).

Second, if the objective is to aggregate social welfare, the question arises as to whether we are operating from within the layout of “internal logic of the market.” In some cases, aggregate social welfare may be increased by regulating markets or by not relying on markets at all. No one of this is to object the value of social well being.

Rather the point is to ask whether there are other ways to characterize the value of market activity that can provide guidance to business managers along the lines described in the introduction. This aim raises another series of questions in relation to framing the underlying rationale for business activity in terms of the maximization of aggregate social welfare.

Not only must patients be able to have access to the drug, for example, but even after access there remains the question of whether patients properly take the drug. In producing and selling the drug, what value does the CEO help realize? One answer is to frame the value of the CEO’s decision in probabilistic terms. That is, the value of the CEO’s activity resides in her contribution to expected aggregate social welfare.

In response to this answer, consider something like genetic testing for disease. In receiving the information, a customer may be said to be better off insofar as she is better placed to address and avoid certain diseases. At the same situation, with respect to certain diseases, there may be little a customer can do to prevent them and she may be worse off insofar as she experiences worry and anxiety.

Furthermore, suppose there are enough people in her situation such that aggregate social welfare is less than what it would be if no customers had access to this information. Does this mean such testing should not be made available commercially? In answering this question, I draw upon an account of the role of organizations I have advanced elsewhere (Hsieh 2013b, 2015a). As I have argued, in a situation such as this, one value the CEO plausibly can be said to help realize is that of autonomy. Autonomy has been defined in a variety of ways (e.g., Raz 1986). One view understands autonomy as the exercise of choice. Having even the choice to obtain the information in question is autonomy enhancing. According to another view, having the information is what matters in the respect of autonomy.

This view understands autonomy in terms of authorship or control over one's life. To be clear, the point is not that the market respects all desired choices; there are many wants and desires that remain unmet in the market (Waldfogel 2007). Nor is this to deny the criticism rose that in some cases, business activity can give rise to wants and desires in respect of consumers in ways that undermine their autonomy, for example, through advertising (Crisp 1987). Rather, the point is that in providing a service for which customers are willing, and have reason, to pay, the CEO helps to promote the autonomy of customers. Promoting individual autonomy, rather than aggregate social welfare, characterizes the value of market activity in that way allows economic actors to take this value directly into consideration when making decisions.

While this passage raises a range of issues to consider, for our purposes the focus is the base on that people are paid for their products or talents—namely, what others are willing to pay. In highlighting willingness to pay, I do not mean to attach any significance to the amount people are paid through market mechanisms. Instead, for our purposes, what matters is that norms underlying market activity make it permissible for willingness- to-pay to serve as the base for what people are paid. As Anderson (1993) argues, the standards of the market allow for impersonal and instrumental transactions. Under market norms, being paid depends on being able to offer something for which another person is willing to pay independently of social status, personal relationships, or even merit.

This is not to deny that in reality, people may be paid more based on social status or personal relationships, or that business, more generally, does not involve social status or personal relationships. Nor is this to suggest that impersonal and instrumental transactions ought to permeate all spheres of our social lives. Rather the point is that the norms of the market may make permissible a way of gaining access to livelihood that need not rely on social status, personal relationships, or merit. I now turn to a last set of values associated with market activity that are distinct from the value of efficiency. Efficiency, as discussed above, is a criterion by which to compare different allocations. In focusing exclusively on efficiency as the underlying rationale for to use of markets, however, we overlook the process by which goods, services, income, and wealth are allocated in the market. The process by which they are allocated through market activity, I argue, has independent value.

At the contemporary time, the debate calls attention not just too whether the outcome can be achieved, but the ways in which it is achieved in the market. Whether or not one subscribes to Hayek's overall philosophy, what this passage highlights is a key difference in the process by which market allocations come about. They involve the independent decisions of many people in a decentralized manner. While the resulting outcome is important, the thought is that there is something to be said also for having a vibrant and robust marketplace in which individuals come together to engage with one another. These are values at the level of society as a whole.

Thus far, the discussion has focused on values realized in the market from the buyers perspective (autonomy) and sellers (access to livelihood), and at the level of the market as a whole. In thinking about business practice, however the market that hardy plays a role, but also the firm. This elimination of market transactions suggests we not locate the primary value of firms in respect of third set of values discussed above. However, there are ways in which firms can help advance the first two values. As already discussed in the pharmaceutical company example, there is cause to value offered products and services not simply as welfare enhancing, but more fundamentally in relation to autonomy. Firms also provide access to livelihood for workers, suppliers, and investors.

At the same situation, there is a case to be made that firms help realize values in additionally to the ones discussed above. Briefly, the basic thought is that the intentionally coordinated nature of activity within a firm can provide an opportunity for members to participate in and contribute to a common activity with a shared purpose or end, which is of value in itself.

One way, but not the only way, to understand this is to call to mind John Rawls's idea of a "social union founded upon the needs and potentialities of its members that each person can participate in the total sum of the realized natural assets of the others" (1999, 459). What defines a social union is "that there be a shared final end and accepted ways of advancing it which allow for the public recognition of the attainments of everyone" (1999, 461).

Given the time spam employees may spend at their place of work, firms also can give rise to networks of relationships and a sense of belonging to a community. To be clear, the point is not that members of business enterprises, in fact, view their places of work as realizing these values for them. There may be many places of work that lack a shared purpose or provide a reasonable affirmation with society.

Rather, the thought is that given their role as coordinators of productive activity within firms, business managers are in a position to help realize these values of shared purpose and community through business activity, values which are quite independent of the efficient come out and allocation of goods and services. It connect s us to the end of the brief discussion of second "basic" in the back to-basics approach.

This "basic" considers values associated with markets and firms not only in relation to efficiency or gross social well being, but also in terms of autonomy, access to livelihood, a vibrant and robust marketplace, shared ends, and a sense of community. Role & Function of Ethical Managers in both large and small enterprises face difficult ethical situations daily as they attempt to do their jobs.

Since corporate decisions innately involve ethical considerations, managers recognize the ethical elements that are embedded in day-to-day their job functions. They need to be able to cause through ethical actions, just as they would reason through any managerial problem facing them. Many times, ethics-laden situations involve issues that are clearly right or wrong when judged by the managers or organization's values or principles.

Conclusion

Corporate world need to get rejuvenate for strengthening their efforts for societies well being. Business ethics hardly play deciding role in this front but employee awareness & management reviews & monitoring mechanism may accomplish desirables. There should be clear cut policies & philosophy of management to abide with business pledge & maintain high standards in doing business affairs as weaker monitoring system of management may adversely direct for unethical behaviors. Unethical behavior may be defined a behavior that contradicts rules made to maintain the fairness and morality of a situation like a business representative of a company taking kickbacks from a sellers for a preference. Such gesture may motivated by numerous things. If the back-to-basics account I have outlined here is headed in the right direction, there are two issues requiring attention. The first concerns developing an account of permissible risk. Almost any activity involves the possibility or risk of harm. For non compliance this stances may forming a challenge.

The second is whether there are conditions under which states may not be so strong as that business organizations have responsibilities to engage such activities normally from states, and if so, how better to reconcile these responsibilities with the account developed so far.26 What these issues reveal is that while the back-to-basics approach is meant to be "basic," it need not be simple. Instead, the respective approach is meant to be "basic" is in the sense of being foundational or fundamental. That is, in thinking about their responsibilities, managers would do well to get back to basics – that is, to focus on what is foundational and to concentrate on core activities. This may not be simple. It may be rather complicated. In closing, I want to acknowledge that this address has covered a great deal of ground.

I have omitted many details and at times provided only the briefest of argumentation. For some, this address may put more questions to answers while having thought about the role & responsibilities of business toward society. Nevertheless, what I hope to have done in this address is made the case that the back-to-basics approach is an approach worth pursuing. As per United Nations and the European Commission, Corporate Social Responsibility (CSR) leads to triple bottom-line: profits, protection of environment and fight for social justice. It is expected that Civil society, activist groups, Government and corporate sectors should work together to create appropriate means and avenues for the marginalized and bring them to the mainstream. The success of CSR lies in practicing it as a core part of a company's development strategy. It is important for the corporate sector to identify, promote and implement successful policies and practices that achieve triple bottom-line results.

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