1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 01 (Class XI, Part- 1)
Module Name/Title	Social Responsibilities of Business and Business Ethics – Part 2
Module Id	kebs_10602
Pre-requisites	Knowledge about Social surroundings
Objectives	After going through this lesson, the learners will be able to understand the following: • Analyse the relationship between business and environmental protection; and • Define the concept of business ethics • State the elements of business ethics.
Keywords	Environmental Protection, Business Ethics

2. Development Team

Role	Name	Affiliation
National MOOC Coordinator	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Rejaul Karim Barbhuiya	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Dr. Punnam Veeraiah	CIVE, RIE Campus, Bhopal
Course Co-Coordinator / Co-PI	Dr. Nidhi Gusain	CIET, NCERT, New Delhi
Subject Matter Expert (SME)	Mr. Sudhir Sapra	Directorate of Education, Govt. of NCT of Delhi
Review Team	Dr. Munipalle Usha Ms. Preeti Sharma	UPGC, Osmania University, Hyderabad, Kenriya Vidyalaya, Sector 24 Noida
Technical Team	Mr. Shobit Saxena Ms. Khushboo Sharma	CIET, NCERT, New Delhi CIET, NCERT, New Delhi

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Business and Environmental Protection

➢ Protection of the environment is a serious issue that confronts business managers and decision makers. The environment is defined as the totality of man's surroundings — both natural and man-made. These surroundings are also in the nature of resources, that are useful for human life. The resources may also be called natural resources like land, water, air, fauna and flora and raw materials; or man-made resources such as cultural heritage, socioeconomic institutions and the people.

➢ It is widely recognised that the quality of the environment is fast deteriorating particularly due to industrial activity. This is a common sight around major cities like Kanpur, Jaipur, Delhi, Panipat, Kolkata, and others, in various states of our country. Their emissions are seriously affecting the health of the people. Pollution — the injection of harmful substances into the environment is, in fact, largely the result of industrial production. Since some waste is inevitable in the use of materials and energy, the manufacturers face a great challenge in minimising the adverse impact of this waste by using proper technologies.

➢ Protection of the environment is good for all of us. Pollution changes the physical, chemical and biological characteristics of air, land and water. Pollution harms human life and the life of other species

➢ It also degrades living conditions while wasting or depleting raw material resources. The country's cultural heritage is also affected and it is becoming increasingly difficult to protect all historical monuments. Pollution exists because the environment can absorb only a limited amount of pollutants and wastes. Some hazardous wastes or toxic by-products and chemicals are termed as hazardous pollutants because they have toxic characteristics that the environment cannot assimilate. Pollution thus causes risks to environmental quality, human health and damage to natural and man-made resources. Protection of the environment is directly related to the control of pollution.

Causes of Pollution

❖ It must be recognised that all sectors of our society viz., industry, government, agriculture, mining, energy, transportation, construction, and consumers generate waste. Wastes contain pollutants which are the materials of chemicals that have been discarded during the process of production or consumption.

❖ Pollution is caused by these pollutants which are released into the environment beyond its assimilation capacity. Among the various sources of pollution, industry is a major generator of waste in terms of both its quantity and toxicity.

❖ Business activities such as production, distribution, transport, storage, consumption of goods and services are known to be the most critical sources of environmental pollution problems. Many business enterprises have been responsible for causing (i) air, (ii) water (iii) land, and (iv) noise pollution.

These types of pollution are discussed as follows:

AIR POLLUTION

WATER POLLUTION

LAND POLLUTION

NOISE POLLUTION
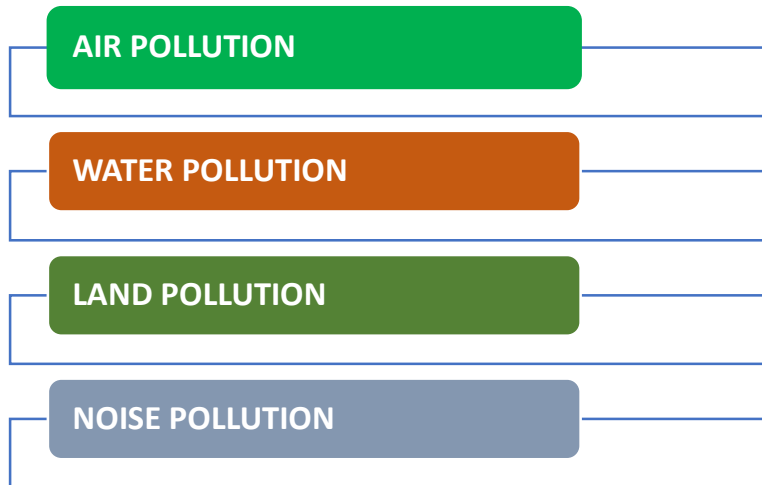
(i) Air pollution: Air pollution is the result of a combination of factors which lowers the air quality. It is mainly due to carbon monoxide emitted by automobiles which contributes to air pollution. Similarly, smoke and other chemicals from manufacturing plants pollute the air. Resultant air pollution has created a hole in the ozone layer leading to dangerous warming of the earth.

(ii) Water pollution: Water becomes polluted primarily from chemical and waste dumping. For years, business enterprises have been dumping waste into rivers, streams and lakes with little regard for the consequences. Water pollution has led to the death of several animals and posed a serious threat to human life.

(iii) Land pollution: Dumping of toxic wastes on land causes land pollution. This damages the quality of land making it unfit for agriculture or plantation. Restoring the quality of the land that has already been damaged is a big problem.

(iv) Noise pollution: Noise caused by the running of factories and vehicles is not merely a source of annoyance but is also a serious health hazard. Noise pollution can be responsible for many diseases like loss of hearing, malfunctioning of the heart and mental disorder.

Environmental Problems

The united nations have identified eight problems that cause damage to the natural environment. These are: (i) Ozone depletion (v) Fresh water quality and quantity (ii) Global warming (vi) Deforestation (iii) Solid and hazardous wastes (vii) Land degradation (iv) Water pollution (viii) Danger to biological diversity
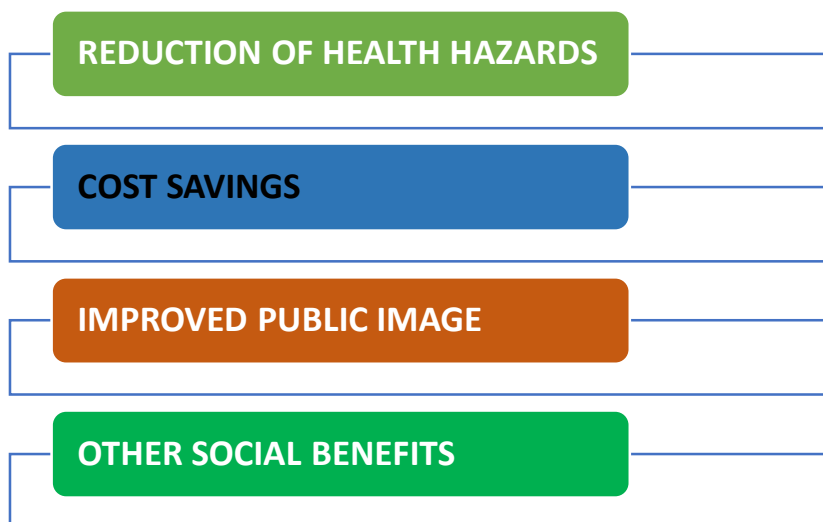
Need for Pollution Control

➢ Pollution prevention or control is needed to preserve precious environmental resources and to improve the environmental quality so that the preserved resources can be utilised

for the benefit of mankind and the improvement of health and wellbeing of the people. The amount of damage to a particular medium (air, water, land) varies according to the type of pollutant, the amount of pollutant disposed of, and the distance from the source of pollution.

➤ But all pollutants alter the quality of the environment and render it, to some degree, unfit to preserve normal life. People are now raising their voice loudly against pollution generating activities. Business enterprises cannot remain unaffected by environmental destruction.

➤ They need to take suitable measures for pollution control not merely to avoid criticisms against them but also to enjoy other benefits of such measures.

Some of the important reasons which make a case for pollution control are as follows:

REDUCTION OF HEALTH HAZARDS

COST SAVINGS

IMPROVED PUBLIC IMAGE

OTHER SOCIAL BENEFITS

(i) Reduction of health hazards: There is increasing evidence that many diseases like cancer, heart attacks and lung complications are caused by pollutants in the environment. Pollution control measures can not only check the seriousness of such diseases but can also be supportive of a healthy life on earth.

(ii) Reduced risk of liability: It is possible that an enterprise is held liable to pay compensation to people affected by the toxicity of gaseous, liquid and solid wastes it has released into the environment. Therefore, it is sound business policy to install pollution control devices in its premises to reduce the risk of liability.

(iii) Cost savings: An effective pollution control programme is also needed to save costs of operating business. Cost savings are particularly noticeable when improper production

technology results in greater wastes which leads to higher cost of waste disposal and cost of cleaning the plants.

(iv) Improved public image: As society becomes increasingly conscious of environmental quality, a firm's policies and practices for controlling wastes will increasingly influence people's attitude towards its working. A firm that promotes the cause for environment will be able to enjoy a good reputation and will be perceived as a socially responsible enterprise.

(v) Other social benefits: Pollution control results in many other benefits like clearer visibility, cleaner buildings, better quality of life, and the availability of natural products in a purer form.

Role of Business in Environmental Protection

Since the quality of the environment is important for all of us, we have a collective responsibility to protect it from being spoiled. Whether it is government, business enterprises, consumers, workers, or other members of society, each one can do something to stop polluting the environment. Government can enact laws to ban hazardous products. Consumers, workers and the members of society can avoid using certain products and doing things that are not environment friendly.

The business enterprises should, however, take the lead in providing their own solutions to environmental problems. It is the social responsibility of every business to take steps not only to check all sorts of pollution but also to protect environmental resources. Business enterprises are leading creators of wealth, employment, trade and technology. They also command huge financial, physical and human resources. They also have the knowhow to solve environmental pollution problems with a preventive approach by controlling pollutants at the source. In most cases, a modification or change in the process of production, redesign of equipment, substituting poor quality materials with better ones or other innovative approaches could greatly reduce or even eliminate pollution entirely. Some of the specific steps which can be taken by business enterprises for environmental protection are as stated below:

i. A definite commitment by top management of the enterprise to create, maintain and develop work culture for environmental protection and pollution prevention.

ii. Ensuring that commitment to environmental protection is shared throughout the enterprise by all divisions and employees.

iii. Developing clear-cut policies and programmes for purchasing good quality raw materials, employing superior technology, using scientific techniques of disposal and treatment of wastes and developing employee skills for the purpose of pollution control.

iv. Complying with the laws and regulations enacted by the Government for prevention of pollution.

v. Participation in government programmes relating to management of hazardous substances, clearing up of polluted rivers, plantation of trees, and checking deforestation.

vi. Periodical assessment of pollution control programmes in terms of costs and benefits so as to increase the progress with respect to environmental protection.

vii. Arranging educational workshops and training materials to share technical information and experience with suppliers, dealers and customers to get them actively involved in pollution control programmes.

Environmental Protection in India (Steps by the Government)

1. Laws: The directive principles of state policy in the Constitution of India lay emphasis on protection of environment. Some of the laws enacted are as under:

   i. The Wildlife Protection Act, 1972

   ii. The Water (Prevention and Control of Pollution) Act, 1974 amended in 1974 and 1988

   iii. The Air (Prevention and Control of Pollution) Act, 1974 amended in 1974 and 1988

   iv. The Environment (Protection) Act, 1986

   v. The Forests (Conservation Act, 1980 amended in 1988

   vi. The Hazardous Wastes Act, 1989

2. Regulations: Administrative orders/policy guidelines have been laid down by the government. A separate Department of Environment, Government of India was created in 1980.

3. Certain regulatory bodies or quasi-judicial authorities have been established such as:

   • National Afforestation and Eco-Development Board, and

   • National Wastelands Development Board

4. Manufacturing units have been closed in cities. High Court of Delhi ordered shifting of manufacturing units out of Delhi and closing them. Similarly, courts have ordered removal of foundaries from Agra city, and shifting of manufacturing factories from Kanpur.

5. Various programmes on environment education, and seminars on creating awareness and resource are being organised regularly.

6. Government has also laid down Environment Action Plan (EAP).

Business Ethics

From the social point of view, business exists to supply goods and services to the people. From the individual point of view, the primary objective of a business firm is to earn profit. One may expect that the individual goals of the firm would not be in conflict with the objectives of

society. However, business enterprises are run by human beings whose decisions and actions may not always be in accordance with the expectations of society. An enterprise may be good in terms of economic performance (like revenue, costs and profits) but poor in terms of social performance like supplying products of reasonable quality and at reasonable prices. This raises the question of what is right or wrong from society's point of view. The answer to this question is important because business enterprises are products of and are influenced by society. They have to interpret and adjust to the preferences or values of society. The subject matter of ethics is concerned with establishing linkages between individual good and social good.

Origin of Three Similar Concepts (a) Corporate Social Responsibility: It originated in U.S.A where Government had passed Anti-Trust Act against monopolistic practices, so as to protect and improve the welfare of society. (b) Business Ethics: This also originated in U.S.A in the 1970s. Business ethics highlighted social values and society's concerns in relation to business and forced the corporates in that country to abstain from policies and practices which were hostile to consumers and environmental protection. (c) Corporate Governance: It originated in the U.K. for the purpose of improved accountability of directors to shareholders, emphasis on more transparent auditing and increased responsibilities of independent directors, and division of roles of chairman and managing directors for safeguarding interests of shareholders.
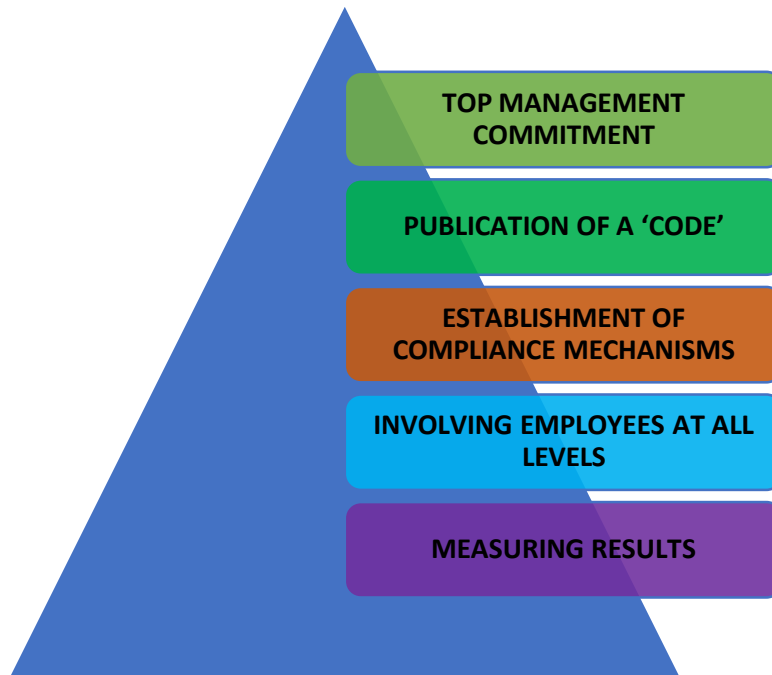
Concept of Business Ethics

> Ethics is concerned with what is right and what is wrong in human behaviour judged on the basis of a standard form of conduct/behaviour of individuals, as approved by society in a particular field of activity. Ethics may be viewed as the entire body of moral values that society attaches to the actions of human beings.

➢ The word 'ethics' has its origin in the Greek word 'ethics' meaning character; norms, ideals or morals prevailing in a group or society.

➢ Ethics is concerned with what is right and what is wrong in human behaviour judged on the basis of a standard form of conduct/behaviour of individuals, as approved by society in a particular field of activity. Ethics may be viewed as the entire body of moral values that society attaches to the actions of human beings. Ethics can also refer to codes or other system for controlling means so that they serve human ends. Ethical standards are often enacted into laws.

- But ethical behaviour is just and fair conduct which goes beyond observing laws and government regulations.

- It means adhering to moral principles, being guided by particular values, and behaving in a way people ought to act. The set of principles called ethics may be written or unwritten codes or principles governing a professional or human activity.

- Business ethics concerns itself with the relationship between business objectives, practices, and techniques and the good of society. Business ethics refer to the socially determined moral principles which should govern business activities.

- A few examples of business ethics are: charging fair prices from customers, using fair weights for measurement of commodities, giving fair treatment to workers and earning reasonable profits. A businessperson behaves ethically when her or his actions are upright and serve the interest of society. This, of course, also applies to those not in business.

- The essential difference is perhaps that business persons by virtue of their widespread control over society's resources have a much greater effect on what happens in a society than persons in other areas of activity do. Business people and politicians are expected to have higher standards over and above other people. This is perhaps the price they pay for being allowed to make decisions on behalf of society.

- There is a growing realisation all over the world that ethics is vitally important for every business and for the progress of any society. Ethical business is good business. Ethical business behaviour improves public image, earns people's confidence and trust, and leads to greater success.

- Ethics and profits go together in the long run. Ethics alone, and not government or laws, can make a society great. An ethically responsible enterprise develops a culture of caring for people and environment and commands a high degree of integrity in dealing with others. Ethical activity is indeed valuable in itself, for its own sake, because it enhances the quality of our lives and that of the work we do.

Elements of Business Ethics

Since ethical business behavior is good for both the business enterprise and society, it makes sense to discuss how the enterprises can foster ethics in their day-to-day working. Some of the basic elements of business ethics while running a business enterprise are as under:

(i) Top management commitment: Top management has a crucial role in guiding the entire organisation towards ethically upright behaviour. To achieve results, the Chief Executive Officer (or CEO) and other higher level managers need to be openly and strongly committed to ethical conduct. They must give continuous leadership for developing and upholding the values of the organisation.

(ii) Publication of a 'Code': Enterprises with effective ethics programmes do define the principles of conduct for the whole organisation in the form of written documents which is referred to as the "code". This generally covers areas such as fundamental honesty and adherence to laws; product safety and quality; health and safety in the workplace; conflicts of interest; employment practices; fairness in selling/marketing practices; and financial reporting.

(iii) Establishment of compliance mechanisms: In order to ensure that actual decisions and actions comply with the firm's ethical standards, suitable mechanisms should be established. Some examples of such mechanisms are: paying attention to values and ethics in recruiting and hiring; emphasising corporate ethics in training; auditing performance regularly to analyse the degree of compliance; and instituting communication systems to help employees report incidents of unethical behaviour.

(iv) Involving employees at all levels: It is the employees at different levels who implement ethics policies to make ethical business a reality. Therefore, their involvement in ethics programmes becomes a must. For example, small groups of employees can be formed to discuss the important ethics policies of firms and examine attitudes of employees towards these policies.

(v) Measuring results: Although it is difficult to accurately measure the end results of ethics programmes, the firms can certainly audit to monitor compliance with ethical standards. The top management team and other employees should then discuss the results for further course of action.

Ground Rules of Ethics The following are some of the universal virtues which every human being should imbibe, develop and practice to be ethical in life: (a) Be trustworthy (b) Have respect for others (c) Own responsibility (d) Be fair in dealings (e) Be caring towards wellbeing of others (f) Prove to be a good citizen — through civil virtues and duties

Summary

Business and environment protection: Protection of the environment is a serious issue that confronts managers and decision makers. The environment is defined as the totality of man's surroundings — both natural and man-made. Pollution — the injection of harmful substances into the environment is, in fact, largely the result of industrial production. Pollution has harmful effects both for human life and the life of other species.

Causes of Pollution: Among the various sources of pollutions, industry is a major generator of waste in terms of both its quantity and toxicity. Many business enterprises have been responsible for causing air, water, land and noise pollution.

Need for pollution control: Important reasons which make a case for pollution control are: (i) reduction of health hazards, (ii) reduced risk of liability, (iii) cost savings (iv) improved public image, and (v) other social benefits.

Role of business in environmental protection: Each member of society can do something to protect the environment. The business enterprises should, however, take the lead in providing their own solutions to environmental problems. Some of the steps that they can take are: top management commitment, clear-out policies and programmes, abiding by government regulations, participation in government programmes, periodical assessment of pollution control programmes, and proper education and training of concerned people.

Concept of business ethics: Ethics is concerned with what is right and what is wrong in human behaviour judged on the basis of socially determined standards of behaviour. Business ethics concerns itself with relationship between objectives, practices, and techniques and the good of society. Ethics is important for every business.

Elements of business ethics: An enterprise can foster ethics at the workplace by following basic elements of business ethics, such as (i) top management's commitment, (ii) publication of a establishment of compliance mechanism, (iv) involving employees at all levels and (v) measuring results.