Role of Ethical business practices on CSR activities of an organisation with respect to BHEL Bhopal

Denny Ben[1] and Dr. Kaustubh Jain[2]

[1](Assistant Professor, Department of Management, BSSS College, Bhopal, India)

[2](HOD, Department of commerce, AISECT University, Bhopal, India)

Abstract: *Corporate social responsibility is concept in which companies are not only focus on their profitability but also towards the interest of society and environment. Companies are taking the responsibility towards stakeholders, consumers, employees, community and all public members around the sphere. Corporate social responsibility is operating a business in a manner which meets or excels the ethical legal commercial and public Expectations that a society has from the business. CSR creates favorable public image as well as build up a positive image increasing social involvement of employees. CSR also helps to improve towards the better ethical governance in a business firm. This paper is focused on the way CSR activities are managed to manage ethical governance in an organization and tries to find the relationship between the two.Business ethics is the moral principles and Standards and a code of conduct that, businessmen are expected to follow while dealing with others. This paper is basically focused on analyzing the relationship between CSR activities and ethical business practices for understanding impact of CSR activities on ethical business practices that leads to make better policies for CSR activities. This paper also suggests how CSR activities and ethical practices in business lead to sustainable development of the business for long run.*

Keywords: *Business Ethics, corporate social responsibility, ethical governance, sustainable development.*

I. INTRODUCTION

Ethics means doing things in right and fair manner, which judges the human conduct as right and wrong. The objective of ethics is to evaluate human behavior against the moral standards and also advices for how to act and behave morally in specific situations. The rational of Business ethics is to serve its stakeholders in a meaningful manner and the scope of ethics covers systematic issues such as economic, legal and social system in which business exists and functions. Business Ethics is not concerned only with stakeholder's benefits but also towards employees, suppliers, customers, society and government. Business Ethics also provides a great advantage over competitors by offering consumers a greater value through low price or providing more benefits to the society. Business Ethics makes the business good for a long run [1].

There is always a very strong argument against Business Ethics, which is a business, is having only profit maximization and there is no right-wrong with morality and ethics. Business Ethics also leads to a conflict between profitability and ethics. It also suggests that business activities should be judged by economic factors and not through social or ethical one.

There are few fundamental principles of Business Ethics:

1. Providing safe and healthy workplace for the employees.
2. Fair employment practices that includes: avoidance of discrimination based on gender, avoidance of child labour, respect for others in the organization and collective bargaining system.
3. Showing complete responsibility towards environmental protection.
4. Not adopting the fare methods for profit making and ensuring a fair competition and responsible governance by following government policies.
5. Providing a good corporate culture where people have right to express their views freely and there is no political coercion in the workplace

There are myths about business ethics which include:

- Business ethics is more focused on religion.
- Business ethics is a theoretical and philosophical concept.
- Business ethics is based on legal compliance.
- Business ethics is equals to corporate social responsibility.

Corporate social responsibility

A business is considered as a subsystem of society so it has to perform its obligations towards the society and for this purpose CSR is introduced.CSR can be defined as a concept where by companies integrates their social and environmental concerns withtheir business operations and stakeholders. Now CSR is also known as corporate citizenship in which corporates accept the responsibilities towards the society and environment.

CSR provides lots of benefits to the companies by providing them satisfied customers, committed employees, less government interventions with improved and stable business as well as creating goodwill in its market [2].

There are some arguments against CSR also in which one of the major arguments is that it increases the cost that passes on to the customers and society. In few cases CSR is having only one motive to exempt from tax that makes them to do illegal accounting for CSR. These comments mark disinterest towards the CSR activities [3].

II. LITERATURE REVIEW

Steen et. al. [4] analyzed ethical codes as a corporate governance instrument and was found that ethical business codes are especially likely to improve social well-being if they concentrate on issues which are specific to the individual firm. It was also argued that optimal firm specific ethical codes might well differ from the main social ethic. This paper presented the methodology that decides what is believed to be a new approach to the analysis of business ethics; the analysis remains rudimentary in several respects.

Willainet. al. [5] discusses the diversity of specializations, applications and practices of management that gives effectiveness and specialization to the staff personnel with optimization; advancing the profession as a whole, etc. In situations of great complexity, the creative contributions derived from judgment - when the factual details are sound and adequate - can often be especially valuable to clients. A vital and appropriate foundation for these are also considered; all in connection with the concept of excellence, as inseparable from ethics.

Armin et. al. [6] used 'Moral Sanctuary' as a symbol for any theory which makes activities immune from moral reproach. Three opinions favoring moral values for business activities exist between two of the arguments. One compares business activities to games, another to the behavior of man. The third rests on the statement that business is a unique activity. Author claims that business managers are responsible to the mutual necessities of professionalism and democratic citizenship.

Naoret. al. [7] proposed a voluntary multinational social responsibility concept. This concept envisions MNC's as trying to operate in a socially essential manner in all countries for operations. The purpose of social desirability will be complete in each such country by a majority of all local publics external to the firm. Social desirability is assumed to be determined by such majority consent on the basis of whether particular corporate activities in particular countries will be seen to bring about welfare improvements in those countries. MNCs may have to respect the minority's views despite the majority's preferences. This will provide inputs into strategic corporate decisions by top management. The task of corporate social responsibility management should therefore be passed on to a high level executive department with direct access to top management.

Objective of the study

1. To study the relationship between CSR and Business Ethics.
2. To study the impact of CSR activities on ethical business practices

III. METHODOLOGY OF THE STUDY

This paper is completely relying on secondary data gathered from various sources such as published annual reports of BHEL, CS course books, Annual report of ministry of MSMEs, reports and publications by ministry of corporate affairs.

According to the report published by Ministry of corporate affairs, in 2014-15 Bharat heavy electrical Limited was on 15th position with an expenditure of 102 cr. on CSR activities where as in 2015-16 Bharat heavy electrical Limited was on 31st position with an expenditure of 66.2 cr. on CSR activities. In this Madhya Pradesh was on 10th position with an expense of 215 Cr. in the F.Y year 2015-16

Highlights of CSR Expenditure in F.Y 2015-16 [4]

Out of 10475 eligible companies, 7334 have reported as of 31st January 2016. Out of these reporting companies only 3139 have done some expenditure on CSR.

Out of total prescribed expenditure of 11883 crore by these 3139 companies, ` 8803 crore have actually been spent. (74%)

CSR spent by the top 10 companies is 32% of the total CSR spends in FY 2014-15. (2783 crore)

Rest of the 3129 companies have spent ` 6020 crore

39 companies have spent on CSR despite incurring losses in previous years.

Table.1.1 Companies Eligible V/S Actual Spenders on CSR F.Y. 2014-15

PARTICULARS	Companies Eligible	Companies Reported
No. of companies	7432	4195
Prescribed CSR budget (in ` crores)	11883	8803

Fig.1.1 Companies Eligible V/S Actual Spenders on CSR F.Y. 2014-15

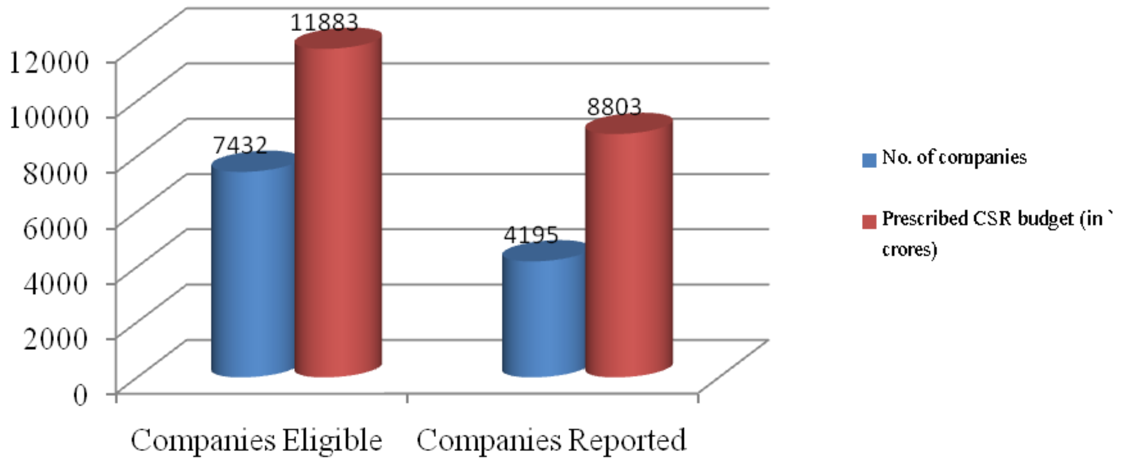
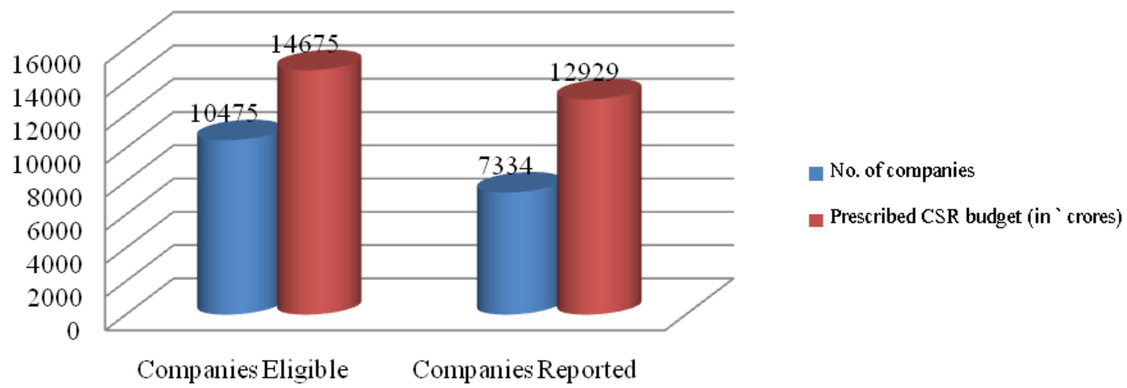


Table.1.2 Companies Eligible V/S Actual Spenders on CSR F.Y. 2015-16

PARTICULARS	Companies Eligible	Companies Reported
No. of companies	10475	7334
Prescribed CSR budget (in ` crores)	14675	12929

Fig.1.2 Companies Eligible V/S Actual Spenders on CSR F.Y. 2015-16



Source of Data: Director's Report filed on MCA-21 Portal as on 31st January 2016

The KPMG International survey of corporate responsibility reporting, 2005 has identified the following drivers of corporate social responsibility in order of their importance:

1. Economic considerations.
2. Ethical considerations.
3. Innovation and learning.
4. Employee motivation.
5. Risk management and risk reduction.
6. Access to capital.
7. Reputation or brand.
8. Improvement in market position.
9. Strengthened supplier relationship.
10. Improved relationship with governmental authorities.

These drivers are always important to be notified as these forces promote CSR to corporates. Earlier CSR was considered as a non-profitable activity but now a day's corporates are using them in such a manner that they can earn benefits out of it also. CSR makes the functioning more ethical. Corporates can easily manage with CSR activities as it provides motivated employees, loyal customers and strengthened supplier relations [5].

CSR activities make the people to learn Ethical practice in the organisations. Through ethical practice BHEL has built a good reputation in the market that lead them to take competitive advantage as well as it also help them to get work done with high quality and standards. These activities also help BHEL to frame better organisational policies that has better legal entities and helps to manage good relations with other government authorities [6].

Figure2: CSR Areas Approved by BHEL

Source of Data: BHEL Annual report 2016-17

IV. CONCLUSION

The paper is trying to analyse the relation between CSR activities and the ethical practices that an organisation has to fulfil the needs of sustainable development. Now from the data itself we can analyse that there is a huge gap between the companies reported for the CSR activities and the number of companies eligible for the same. This difference shows that the organisations are not so much interested towards the CSR activities that also put a question mark towards there ethical working culture. The main reasons analysed during the investigation shows that this disinterest is due to unawareness regarding CSR importance and benefits, Insufficient budget allocation towards CSR activities, lack of sources to execute CSR activities, technical and procedural difficulties, Not aware to CSR areas, lack of clarity with respect to CSR issues and many more reasons that are closely related to only one reason i.e. not having an ethical background.

Many of the initiatives taken by BHEL are only covering a small part of the CSR initiatives that can be broader. This can only be constituted with the better learning of business ethics. This paper tried to analyse the real significance of learning ethical business practice to ensure forming better CSR policies that can lead the institution towards a better and sustainable condition. Undoubtedly this is being analysed from the data that BHEL is having strong ethical business practice that leads them to perform well in their CSR activities.

V. REFERENCES

[1] Beu, D. S., & Buckley, M. R. (2004). Using accountability to create a more ethical climate. Human resource management review, 14(1), 67-83.

[2] Christensen, L. J., Peirce, E., Hartman, L. P., Hoffman, W. M., & Carrier, J. (2007). Ethics, CSR, and sustainability education in the Financial Times top 50 global business schools: Baseline data and future research directions. Journal of Business Ethics, 73(4), 347-368.

[3] Cornelius, N., Wallace, J., &Tassabehji, R. (2007). An analysis of corporate social responsibility, corporate identity and ethics teaching in business schools. Journal of Business Ethics, 76(1), 117-135.

[4] Steen Thomsen, Business Ethics as Corporate Governance, European Journal of Law and Economics, 11:2; 153]164, 2001

[5] William Exton, Jr., Ethical and Moral Considerations and the Principle of Excellence in Management Consulting, Journal of Business Ethics 1 (1982) 211-218.

[6] Armin Richard Konrad, Business Managers and Moral Sanctuaries, Journal of Business Ethics 1 (1982) 195-200.

[7] Jacob Naor, A New Approach to Multinational Social Responsibility, Journal of Business Ethics 1 (1982) 219-225

[8] http://www.mca.gov.in/MinistryV2/csrdatasummary.html

[9] http://www.bhel.com/financial_information/pdf/16-17/BHEL_AR_2016-17.pdf