

# Chapter 6: Social Responsibility and Business Ethics

## 1. Concept of Social Responsibility

- Definition: Social Responsibility refers to the obligation of businesses to act in ways that benefit society as a whole, going beyond profit maximization.
- Importance: Businesses have a social obligation to act in the interests of society and maintain ethical standards, as they rely on society's resources.
- Key Points:
  - Protecting the environment
  - Ensuring fair practices with consumers
  - Providing fair working conditions for employees
  - Contributing to community welfare

## 2. Social Responsibility Towards Different Interest Groups

- Owners: Fair returns on investment, transparency, and accountability.
- Employees: Fair wages, safe working conditions, and equal opportunity.
- Consumers: Quality products, safety, fair prices, and honest advertising.
- Government: Compliance with laws, payment of taxes, and support of economic stability.
- Community and Society: Employment generation, environmental protection, and contributions to social causes.

## 3. Arguments in Favor of Social Responsibility

- Long-term Benefit: Builds goodwill and customer loyalty.
- Public Image: A positive public image attracts better employees and more customers.
- Avoidance of Government Intervention: Proactive measures reduce the likelihood of regulatory constraints.
- Employee Motivation: Socially responsible practices foster a positive work environment.

#### 4. Arguments Against Social Responsibility

- High Costs: Social responsibility initiatives require financial resources.
- Diverts Focus from Profit: Might lead to a reduction in profit maximization.
- Limited Skill: Business managers may lack the expertise to address social issues effectively.
- Conflict of Interests: Difficulties in balancing profit goals with social objectives.

#### 5. Business Ethics

- Definition: Business ethics refers to the moral principles and standards guiding business behavior.
- Importance:
  - Builds trust with stakeholders
  - Enhances reputation
  - Minimizes legal risks
- Principles of Business Ethics:
  - Fairness

- Transparency
- Accountability
- Respect for consumer rights and employee welfare