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MCO-24

Business Ethics and CSR

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**Sample Preview
of the
Solved
Sample Question
Papers**

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QUESTION PAPER

June – 2024

(Solved)

BUSINESS ETHICS AND CSR

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Time: 3 Hours]

[Maximum Marks : 100

Note: : Attempt any five questions. All questions carry equal marks.

Q. 1. (a) Is business ethics an oxymoron? Comment.

Ans. Ref.: See Chapter-1, Page No. 7, Q. No. 3.

(b) Explain the difference between Business Ethics and Law.

Ans. Ref.: See Chapter-1, Page No. 1, 'The Distinction between Business Ethics and Law'.

Q. 2. Giving appropriate examples, discuss how individual factors come in the way of business ethics.

Ans. Ref.: See Chapter-4, Page No. 38, Q. No. 1.

Q. 3. Discuss the concept of corporate citizenship vis-a-vis business. Support your answer with the help of an appropriate case study.

Ans. Ref.: See Chapter-5, Page No. 51, 'Corporate Citizenship and Business'.

Q. 4. Describe the importance of corporate social responsibility in international business. How does it address the concerns of three pillars of business?

Ans. Ref.: See Chapter-7, Page No. 80, 'CSR and International Business', Page No. 88, Q. No. 1.

Q. 5. Describe four phases of development of CSR in India.

Ans. Ref.: See Chapter-9, Page No. 113, 'The Phases of Development of CSR in India'.

Q. 6. Give a brief account of duties and responsibilities of the CSR Committee and the Board of Directors.

Ans. Ref.: See Chapter-10, Page No. 132, 'Duties and Responsibilities of CSR Committee and the Board'.

Q. 7. (a) Explain the need and scope of CSR audit.

Ans. Ref.: See Chapter-12, Page No. 167, 'Need and Scope of CSR Audit'.

(b) Discuss the Audit Procedure in brief.

Ans. Ref.: See Chapter-12, Page No. 168, 'Audit Procedure'.

Q. 8. Write short notes on any two of the following:

(a) "Is CSR a big farce".

Ans. Ref.: See Chapter-7, Page No. 82, 'Is CSR a Big Farce'.

(b) CSR and environmental protection.

Ans. Ref.: See Chapter-8, Page No. 101, 'Responsibility and Environment Protection'.

(c) CSR initiatives of any two Indian companies.

Ans. Ref.: See Chapter-9, Page No. 117, 'CSR Initiatives of Indian Companies'.

(d) Global guidelines to promote CSR practice.

Ans. Ref.: See Chapter-11, Page No. 147, 'Global Guidelines to Promote CSR Practice'.

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QUESTION PAPER

December – 2023

(Solved)

BUSINESS ETHICS AND CSR

MCO-24

Time: 3 Hours]

[Maximum Marks : 100

Note: : Attempt any five questions. All questions carry equal marks.

Q. 1. Discuss consequentialist ethical theories. Explain contemporary approaches to business ethics.

Ans. Ref.: See Chapter-2, Page No. 41, Q. No 2.

Q. 2. Explain ethical dilemmas giving appropriate examples. Describe ethical navigation wheel in connection with overcoming ethical dilemmas.

Ans. Ref.: See Chapter-3, Page No. 29, Q. No 1, Page No. 25, Q. No. 1.

Q. 3. Discuss stakeholders vis-à-vis corporate social responsibility.

Ans. Ref.: See Chapter-5, Page No. 56, Q. No 1.

Q. 4. Describe briefly four approaches of business strategy for corporate social responsibility. Explain with examples.

Ans. Ref.: See Chapter-6, Page No. 64, 'Different Approaches of Business Strategy for CSR'.

Q. 5. Giving appropriate examples, explain how have sustainable development goals as enunciated by UN been implemented in India.

Ans. Ref.: See Chapter-7, Page No. 81, SDGs and CSR in India'.

Q. 6. Describe briefly the Companies Act, 2013 in connection with corporate social responsibility. How was it been amended?

Ans. Ref.: See Chapter-9, Page No. 115, 'The Companies Act, 2013 and CSR', 'The CSR Rule, 2014', Page No. 116, 'Companies (CSR) Amendment Rules 2021 (The New CSR Rules)', Chapter-10, Page No. 138, Q. No. 5.

Q. 7. Explain common characteristics of socially responsible firms.

Ans. Ref.: See Chapter-11, Page No. 146, 'Social Responsibility towards Different Groups'.

Q. 8. Write short notes on any two of the following:

(a) Lynn Paine's concept of moral compass.

Ans. Ref.: See Chapter-3, Page No. 24, Lynn Paine's Concept of Moral Compass'.

(b) Business ethics and professional codes.

Ans. Ref.: See Chapter-8, Page No. 99, 'Business Ethics and Professional Codes'.

(c) Scope of CSR audit.

Ans. Ref.: See Chapter-12, Page No. 167, 'Scope of CSR Audit'.

(d) Tax issues in CSR.

Ans. Ref.: See Chapter-13, Page No. 181, 'Tax Issues in CSR'.

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Sample Preview of The Chapter

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BUSINESS ETHICS AND CSR

Business Ethics: An Overview

INTRODUCTION

Business ethics carries significant influence in the corporate world. Not only does it change how businesses operate on a day-to-day basis, but it also influences legislation around corporate regulation. In this chapter we will find out what business ethics is, why it is important, and how you can spot ethical and unethical behaviors in the workplace. We will also learn that Business ethics is the study of how a business should act in the face of ethical dilemmas and controversial situations. This can include a number of different situations, including how a business is governed, how stocks are traded, a business' role in social issues, and more.

CHAPTER AT A GLANCE

THE DISTINCTION BETWEEN BUSINESS ETHICS AND LAW

Business ethics extends beyond legal codes, as not all ethical issues are covered by Law. The Law serves as a basic standard in society, but many moral questions lie outside its scope, such as loyalty in family and marital relationships, which are not legally enforced. Ethics begins where the Law ends, often prompting legal change as societal values evolve. For instance, environmental and human rights advocacy has influenced new legislation, though these issues carry ethical significance independent of legal recognition. Historically, social reformers like Raja Rammohun Roy and Jyotirbai Phule challenged prevailing norms, redefining ethics in patriarchal, caste-based societies. Ethics, therefore, is shaped by societal power dynamics and evolving cultural standards.

In patriarchal societies, men often define ethics and morality for women's behavior. Even in modern industrialized nations, corporations face ongoing complaints from women about the glass ceiling limiting career growth. This highlights how ethics and morality are intertwined with power structures, which can shape legal responses to ethical issues.

Civil society organizations have brought attention to concerns such as climate change, LGBT rights, and workplace equality for women. Media coverage has raised public awareness, influencing social views on right and wrong. In response, corporations have initiated sustainability efforts under Corporate Social Responsibility (CSR), and governments have enacted environmental laws to address issues like ozone depletion. Thus, heightened awareness of ethical concerns often leads to regulatory changes.

RELEVANCE OF BUSINESS ETHICS

Today, corporations face increased scrutiny from regulatory bodies, civil society, and the media, making them more accountable to public expectations. Democratic governments, accountable to voters, are pressured to address public concerns, often placing corporates under greater public scrutiny. Even in authoritarian states like China, criticism of corporate misconduct, such as on Consumer Rights Day, is common.

Brand perception is crucial, and corporate reputations are quickly impacted by reports of wrongdoing, especially with the rapid spread of information through social media. This underscores the importance of business ethics education to prepare future managers for ethical decision-making and stakeholder management.

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Large corporations like Google, Amazon, and Alibaba wield global influence, affecting society significantly. The COVID-19 pandemic, for example, saw a surge in online entertainment, raising concerns about children's access to inappropriate content and impacting family dynamics. Additionally, modern corporations, with abundant resources, are increasingly involved in social initiatives. Unlike Friedman's view that business should focus solely on profit, companies today are often engaged in public-private partnerships to tackle social challenges and align with sustainable development goals, turning social responsibility into a growth opportunity.

GLOBALIZATION AND BUSINESS ETHICS

Since the 1990s, liberalization, privatization and globalization have reshaped business ethics. Economic globalization has blurred national borders, pushing companies to be more culturally aware, especially in regions like the Middle East, where sensitivity to local customs and gender norms is crucial to avoid backlash. As Western markets become saturated, multinational corporations increasingly invest in emerging markets, which often lack robust legal frameworks. This unfamiliarity can lead to ethical missteps. Additionally, the expanded influence of multinational corporations, accountable primarily to a limited group of shareholders, has fueled concerns about corporate accountability. This "democratic deficit" has spurred anti-globalization movements and demands for greater corporate responsibility.

SUSTAINABILITY AND BUSINESS ETHICS

Sustainability has traditionally focused on environmental issues, like global warming and greenhouse gas emissions, leading to government regulations. For instance, strict emissions norms from the U.S. Environmental Protection Agency drove Volkswagen to adopt unethical practices, later resulting in a recall of 11,000 cars. However, sustainability is now interpreted differently across corporations. For British Petroleum, it means creating new products and services; for Shell, it's part of core business principles. Today, industries such as automotive and logistics face growing demands for sustainable practices, including sensitivity to social and economic impacts, avoiding actions that may harm marginalized communities or local cultures.

BUSINESS ETHICS EDUCATION IN MANAGEMENT CURRICULUM

The role of business ethics in management education has been widely debated. William Donham,

former Dean of Harvard Business School, suggested that the complexities of modern decision-making required ethical considerations beyond religious or legal guidance. Business ethics was first introduced in Harvard's curriculum in 1928, but was later removed and only reintroduced in 1958, with further developments in 1988. Corporate scandals like Enron and WorldCom highlighted the need for ethical education, pushing accreditation bodies to make business ethics a required part of the curriculum.

Critics like Prof. Sumantra Ghoshal argued that management education promotes profit as the sole purpose, fostering unethical behavior. Rakesh Khurana and others suggested that the focus on shareholder primacy disconnected management from broader responsibilities. Authors like Akerlof, Schiller, and Jim Collins linked corporate misconduct to these "toxic" teachings, claiming that they encourage values that prioritize profit over ethical considerations, contributing to destructive social impacts.

In response, management education has shifted towards responsible management, integrating courses on ethics, social responsibility, and sustainability. Responsibility now extends to instructors, institutions, learners, and businesses themselves, all working to foster an ethical climate and emphasize responsible learning.

EFFECTIVENESS OF BUSINESS ETHICS INSTRUCTION

Business ethics instruction in management education has long been debated, with critics arguing that students have already developed ethical standards by the time they enter business school. Additionally, the traditional focus on maximizing shareholder value often seems at odds with ethical considerations, and corporate scandals are seen as evidence of ethics instruction's failure. However, ethics courses are increasingly becoming mandatory, pushed by accreditation bodies like AACSB and AMBA. Scandals such as Enron and the 2008 financial crisis have highlighted the need for ethics in business education. Scholars Robert A. Giacalone and Donald T. Wargo suggest that many executives involved in unethical practices are business school graduates, linking profit-maximization theories with corporate greed and ethical compromises. The Chicago school's view that people are driven by economic interests has furthered a profit-centered approach that often encourages self-interested and opportunistic behavior in management.

IS BUSINESS ETHICS AN OXYMORON?

The term “business ethics” is often viewed with skepticism, with many seeing profit maximization and ethical decision-making as conflicting objectives. This cynicism has historically limited the role of ethics in business education. However, with rising ethical lapses in the corporate world, there has been increased demand to incorporate ethics into management education. Accreditation bodies like AACSB, AMBA, and Equis now require ethics as part of the curriculum, prompting business schools to offer ethics courses either as stand-alone or elective options. Some institutions also integrate ethical principles into specific functional areas, like marketing and finance. Despite consensus on the importance of ethics education, debates persist on how best to teach it and prepare managers to navigate ethical dilemmas.

The core debate in business ethics centers on shareholder versus stakeholder perspectives. Milton Friedman, associated with the Chicago School of Economics, argues that the primary goal of business is to maximize shareholder value. According to Friedman, managers should focus solely on profit while following legal and social norms, leaving societal concerns to policymakers. From this perspective, engaging in social responsibility diverts a manager from their primary duty to shareholders, who have invested in the business for profit maximization, not to address broader social issues.

WHAT IS A BUSINESS FOR? THE TWO DOMINANT VIEWS

The shareholder theory, championed by Milton Friedman and the Chicago School of Economics, argues that corporations’ primary responsibility is to maximize shareholder value, warning that pursuing other social responsibilities undermines a free society. Conversely, economists like Paul Samuelson support stakeholder management, emphasizing that corporations must consider social responsibilities. Edward Freeman further advanced stakeholder theory in *Strategic Management: A Stakeholder Approach*, introducing key propositions:

- the separation fallacy (that business and ethics are separate);
- the integration thesis (that business and ethical decisions intersect);
- the open question argument (assessing who is impacted by decisions); and
- the responsibility principle (acknowledging the duty to consider others’ well-being).

As corporate governance issues emerge, questions arise about whether corporations, as legal persons, should also act as ethical entities.

The online gaming industry is rapidly growing, attracting players across various demographics. The COVID-19 pandemic amplified demand for online entertainment, pushing gaming companies to create more captivating games. While consumers faced challenges in avoiding gaming addiction, companies sought ways to keep players engaged, evolving from mere entertainment providers to creators of highly immersive and sometimes addictive experiences. One major innovation has been massively multiplayer role-playing games (MMORPGs), where players build characters that interact and form alliances in expansive virtual worlds. In these games, players face pressure to stay online, as logging off can leave their characters vulnerable to attacks from other players, reinforcing the notion of “play the game, pause life.”

Reflect on these questions:

(a) Do online gaming companies bear a social responsibility to avoid creating highly addictive games?

(b) Is it fair to blame not the developers but individuals who use games as psychological escape and end up addicted?

(c) Can the aggressive profit motives of gaming companies be justified, even if it negatively impacts youth mental health, occasionally leading to severe consequences?

(d) Should industries like tobacco, alcohol, F&B, and online gaming be held to a higher standard of social responsibility than others?

ACTIVITIES

Q. 1. The participants can be asked to engage in a reflective exercise. The following can be some of the activities they can be engaged in:

(a) **What are your views on the current issues facing the world? The issues can range from the organizational climate in your workplace, the current issues of national relevance, and the ethical issues related to climate change, the Ukraine war, etc. Participants are encouraged to reflect on the ethical aspects of issues involved.**

Ans. In this initial reflective exercise, participants are encouraged to survey the landscape of contemporary ethical challenges. This activity is designed to spark introspection and awareness of both local and global issues that carry ethical weight.

1. Reflecting on Organizational Climate:

Participants can start by reflecting on the ethical environment within their own workplaces. Questions might include:

- How is diversity managed and valued?
- Are there ethical conflicts between employees and leadership, or among colleagues?
- Is there transparency in organizational practices, including pay, promotion, and decision-making?

By focusing on these elements, participants identify both positive and problematic aspects of their work environment, helping them understand how organizational ethics play a role in shaping their daily lives.

2. National and Global Issues of Relevance:

This can involve national policies, such as healthcare, education, immigration, and governance, where ethical considerations often come into play. For global issues, participants might examine:

- The ethical implications of the Ukraine war, including humanitarian concerns and geopolitical strategies.
- Climate change's ethical dimensions, such as responsibility for carbon emissions, economic inequalities, and climate justice.
- Other global crises like refugee rights, pandemics, and poverty, considering the ethical responsibility of wealthier nations toward vulnerable populations.

(b) Once they can identify a particular set of issues as right and wrong, they should be asked to produce an objective criterion for terming things as good/bad or better/worse.

Ans. Once participants have identified ethical concerns, they are asked to develop an objective framework for distinguishing right from wrong. This step challenges them to move from subjective beliefs to a structured approach for ethical reasoning.

1. Establishing Criteria for Ethical Judgment:

Participants might consider frameworks such as:

- **Utilitarianism:** Does the action contribute to the greatest good for the greatest number?
- **Deontological Ethics:** Are there inherent duties or rules that must be followed, regardless of outcome?
- **Virtue Ethics:** Does the action align with virtues such as honesty, courage, and kindness?

2. Creating Personalized Ethical Guidelines:

Participants should then define the standards or principles they personally value. For example, they

might prioritize fairness in all judgments or emphasize respect for autonomy. They are encouraged to ask:

- How do I evaluate if something is beneficial or harmful?
- What is my threshold for deeming an action unethical?

(c) Participants may be asked to produce five terms/phrases that capture the essence of what they mean by good/bad or better/worse

Ans. Identifying Key Terms for Ethical Judgments: Participants are then prompted to distill their ethical standards into five essential terms or phrases, which encapsulate their values and guide their judgments. This exercise is about articulating core ethical values concisely, creating a personal “code of ethics.”

1. Selecting and Defining Key Ethical Terms:

Participants can reflect on words or phrases that resonate with their beliefs. Some examples include:

- **Integrity:** Commitment to honesty and ethical principles, even in challenging situations.
- **Accountability:** Accepting responsibility for one's actions and their impacts.
- **Justice:** Ensuring fairness and advocating for equality and human rights.
- **Compassion:** Considering others' needs and well-being in decision-making.
- **Respect for Others:** Valuing each person's dignity and autonomy, acknowledging different perspectives.

2. Personal Reflection on Chosen Terms: After identifying their terms, participants can think about why these words hold personal significance and how they apply to real-world situations. For instance, if someone values “justice,” they might consider whether they advocate for fair treatment in their workplace or broader social contexts.

(d) This activity can conclude with participants reflecting on the following: What are the ethics/values we need to collectively cultivate within us if this better world is to be made possible? In short, what are our responsibilities and roles in this world in our personal and professional capacities?

Ans. Reflection on Collective Values and Responsibilities: In this concluding exercise, participants reflect on the collective values and ethics needed to build a better world. This activity focuses on envisioning the impact of shared values on global issues and defining their roles in fostering these values in personal and professional contexts: