

## **A DESCRIPTIVE STUDY OF SUSTAINABLE BUSINESS ETHICS IN BUSINESS AND COMPETITION**

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### **ABSTRACT**

*Innovative ethical infrastructure will enable Indian businesses to establish higher levels of global marketplace sophistication. The fusion of business ethics, shifting stakeholder ethics, the rise of corporate governance and compassionate capitalism will reshape the business landscape in India. Corporations are created by the society, not to merely make a profit from it. The DNA of an organization is more important than its profit margin; creating a company that will last hundreds of years will help far more people than a company that only looks at short-term gains. Recreating corporate DNA with a responsible framework allows Indian businesses to maximize competitive strength in the multinational marketplace. Ethical evolution within the business environment creates a sustainable livelihood for India's citizens by empowering companies to expand into the global marketplace, establishing the foundation for the private sector to tighten the economic divide with job creation and enhanced quality of life. This paper is a descriptive research paper and various secondary sources have been used to arrive at conclusions. The paper presents benefits, effects and trends of ethical behavior of business in 2012.*

**KEY WORDS:** *Sustainable ethics, Corporate social responsibility, Ethical evolution.*

### **INTRODUCTION**

**Sustainability** is the capacity to endure. For humans, sustainability is the long-term maintenance of well being, which has environmental, economic, and social dimensions, and encompasses the concept of stewardship, the responsible management of resource use. In ecology, sustainability describes how biological systems remain diverse and productive over time, a necessary precondition for human well-being. Long-lived and healthy wetlands and forests are examples of sustainable biological systems

**Sustainability** means meeting the needs of the present generation without compromising the ability of future generations to meet their needs. The official U.N. definition of sustainability has or 3 pillars, also known as the "Three Es" of sustainability. These are **environmental protection, economic development, and social equity**.

Human sustainability interfaces with economics through the social and ecological consequences of economic activity. Moving towards sustainability is also a social challenge that entails, among other factors, international and national law, urban planning and transport, local and individual lifestyles and ethical consumerism. Ways of living more sustainably can take many forms from reorganising living conditions (e.g., ecovillages, eco-municipalities and sustainable cities), to reappraising work practices (e.g., using permaculture, green building, sustainable agriculture), or developing new technologies that reduce the consumption of resources.

In its most important sense, sustainability is a long-term, integrated platform for innovation, growth and significance that requires a long-term commitment to how a company relates to people, to its communities and to the larger societies that give it permission to operate, and to the environments in which it conducts business. Building a truly sustainable company requires a shift in thinking and adoption of new habits where companies not only assert great values, they live them. Competitors can see, study and copy what we do. Customers and employees can see whether we're keeping our promises to them. And shareholders, community members and regulators can see how we're achieving what we say we're achieving.

The word 'ethics' means **standards of right and wrong behavior**. Another word often used is 'morality'. A **sustainable ethic** is an environmental ethic by which people treat the earth as if its resources are limited. This ethic assumes that the earth's resources are not unlimited and that humans must use and conserve resources in a manner that allows their continued use in the future. A sustainable ethic includes the following tenets:

- The earth has a limited supply of resources.
- Humans must conserve resources.
- Humans share the earth's resources with other living things.
- Growth is not sustainable.

- Humans are a part of nature.
- Humans are affected by natural laws.
- Humans succeed best when they maintain the integrity of natural processes and cooperate with nature.

## LITERATURE REVIEW

Each and every research work, its planning and execution is highly dependent on the thorough review of literature on the subject. This helps the researcher to familiarize with work already been done and also helps to trace down the gaps, the unexplored area and those research problems that have not been covered or considered earlier, for future considerations and studies. The prominent studies pertaining to sustainable business ethics have been discussed below.

**R.H. Gray (1990)** stated that the growth in organisational codes of ethics in recent years has had much effect on organisational activity. Such was also the experience with the social responsibility debate of the 1970s – a debate which the current business ethics experience so closely parallels. **Bruce Macfarlane (1995)** described the marginal accommodation of courses in business ethics within the business studies first degree curriculum. Focusing principally on the role of law and economics, argued that introductory subject study within business studies degrees plays a significant role in underpinning free-market principles and undermining ethical concerns.

**Fred Hansen, Michele Smith (2006)** examined the implicit assumptions underlying the “business-as-war” versus the “business as value creation” models of business strategy. Drawing on the work of sociologists, he laid out the consequences those implicit assumptions have on the conduct of business. **Mark Schwartz (2007)** examined the current gap between the subjects of business ethics and pre-1960 management theory. In an attempt to achieve the objective of the paper, the business ethics content of three leading management theorists during the first half of the 1900s was examined: **Frederick Taylor; Chester Barnard; and Peter Drucker.**

**Charles Holme (2008)** provided an overview for senior managers of the strategic importance of ethical values in organisations working in the profit-making and not-for-profit sectors. **J. Robertson, Nicholas Athanassiou (2009)** explored business ethics research in the context of international business. **Richard C. Warren (2011)** explored whether the case for a global

standard of business conduct can be grounded and justified in rational argument. He evaluated whether there is progress in establishing standards for international business ethics

### **The Modern Business Environment**

Today, things have got more complicated:-

1. There is no longer one agreed moral code. Most people have a weak sense of religion or none at all. So their morals must come from somewhere else.
2. There are competing religious and social moral codes, especially for multinational companies ("MNCs") operating in different parts of the world and employing people from different cultures.
3. The pursuit of profit has become a goal in its own right, and this puts pressures on people to compromise their standards, not just ethically, but in less important areas also. For example, a very rude manager might be tolerated because he (it usually is a he) makes large profits. So when good behaviour and good profits come into conflict, businesses find it difficult to resist the profits.
4. Businesses are only the people who work there; businesses don't decide anything – it's the people who make decisions. But businesses have group cultures with their own norms and standards. Individuals have a strong need to fit in and be accepted, so it is very difficult for any individual to stand up against attitudes and decisions they disagree with.
5. Greater wealth in the western economies means people have less tolerance for ethically dubious behavior. We are no longer so desperate for growth and employment at any cost. People are also better educated and better informed. People are less deferential ie they are less accepting of what people in authority say. So there are higher expectations of how businesses should behave.

6. Businesses have to sell to consumers and employ workers who have their own standards and opinions. They are not going to buy from or work for a business they disapprove of. So there is a competitive pressure for better behavior from businesses.

7. Many managers and owners have ambitions of social acceptance and recognition eg knighthoods, and so are not going to get caught behaving unethically.

8. Modern technology creates ethical dilemmas which never existed until quite recently. Medical products, and gene technologies, are a good example of this. Should parents be allowed to alter the genes of their unborn children, and should businesses sell the products to do this?

You can see that these factors all pull in different directions. It has all got a lot more difficult and a lot more complicated. Some businesses set up special committees to discuss and decide ethical problems, and they may even employ a professional philosopher to help them

In the global marketplace, the evolution of power is constant and inevitable. The control and influence of people and resources now takes the form of GDP, currency exchanges and trade deficits. Modern societies develop based on the thought that the open market equalizes and creates justice in our economies. Human desire for power has morphed into a competitive arena of multinational companies, attempting to conquer and survive. Wars no longer have battlegrounds, but exist among systemic competitiveness within the business environment. This competitiveness, the institutions, policies, and factors that determine the level of productivity and market capitalization, sits at the core of prosperity for a society. These sectors affect the growth and sustainability of a nation. Organizations must look beyond macroeconomic data and drill to the core of strategic market drivers. Continuous evolution within the business environment determines the livelihood of a nation's citizens. Sustainable business ethics perform the following functions:

**1. Realign business priorities with corporate stakeholder responsibility.**

Profit maximization, market leverage and global competitiveness must take an equal precedence with ethical behavior and corporate governance. Corporate stakeholder responsibility is the

obligation of decision makers to protect and improve the welfare of societal stakeholders.

**2. Define a value added role for all stakeholders, local and global.**

Companies must analyze stakeholder priorities to develop a strategy for strengthening competitiveness. Understanding the potential of an organization starts with creating interdependency on economic, environmental and societal levels. Businesses must develop a social contract in order to create longevity in the marketplace.

**3. Formulate bold, long-term targets and create processes that drive ethical decision making.**

Setting short-term and long-term targets for ethical compliance is important because it creates standards that make a company more competitive on the global marketplace. Constantly adjusting these standards will enable a business to enter new markets and improve image as the Indian businesses approach multinational status. Leadership must work with all internal groups to develop an understanding of the factors affecting the organizations' moral climate: behaviors of superiors, ethical practices of the industry, behavior of peers, formal organizational policy

**4. Establish credibility through a refined and enforced code of ethics.**

Ethical behavior enhances the image of an organization. Written standards of conduct, training, methods of reporting and disciplinary repercussions lead to long-term and sustainable business practices. Creating a code that defines proper decision making will give all stakeholders a model that is, at best, a path for success and competitiveness, while also shifting power dynamics within an organization.

**5. Exploit ethical differentiation and attack the global market with the leverage of local strengths.**

Seeking ethical interdependency, sustainable operational excellence and market leadership creates disruption within established arenas. Leaders should begin by developing the strengths of an organization to gain competitiveness. Organizations need to use local leverage, capabilities and assets of India in order to succeed in the global marketplace. Using a stakeholder value chain allows innovation to begin locally; market growth leads to global demand and specialization.

**Business Ethics** means conducting all aspects of business and dealing with all stakeholders in an ethical manner. Business ethics as competitive advantage involves effective building of relationships with a company's stakeholders based on its integrity that maintains such relationships.

- Globalization has brought about greater involvement with ethical considerations and most importantly achieving competitive advantage through business ethics.
- Globalization and business ethics are linked as they affect a company's ability to commit to its shareholders, in particular to external investors, and preserve the trust needed for further investment and growth.

### **The Sustainable Business Approach**

Many businesses that focus on operating in a way that does not harm the planet's natural or recycling everything used and avoiding using new materials from nature) or will be moving toward reusing all production materials and generating no "waste."

"Sustainability" is much broader than just protecting the planet's resources, although that is the most widely used interpretation. Wikipedia defines sustainability for humans as "the potential for long-term maintenance of well being, which has environmental, economic, and social dimensions."

Sustainability interfaces with economics through the social and ecological consequences of economic activity. Moving towards sustainability is also a social challenge that entails, among other factors, international and national law, urban planning and transport, local and individual lifestyles and ethical consumerism. Ways of living more sustainably can take many forms from reorganising living conditions (e.g., ecovillages, eco-municipalities and sustainable cities), reappraising economic sectors (permaculture, green building, sustainable agriculture), or work practices (sustainable architecture), using science to develop new technologies (green technologies, renewable energy, or new and affordable cost-effective practices) to make adjustments that conserve resources.

## **Are All Sustainable Businesses Ethical?**

Are all sustainable businesses ethical? Not necessarily. There are ways that sustainable businesses can operate unethically, including pretending to be more sustainable than they really are, or making decisions that are dishonest or cause harm. Sustainability is multi-faceted and is just *one* of many areas of concern in leading an ethical organization.

All businesses, even those considered sustainable, need to include these variables (among others) in their business thinking to be sure that they are considering a broad enough spectrum of constituents and a long enough time-orientation when they make decisions:

- The impact of my products and services on consumers and society
- The long-term unintended consequences of my choices
- The changing consumer mindset toward a broader definition of ethical business and avoiding harm
- Balancing impact on the planet with impact on people and society
- Ethical business behavior and an ethical culture.

## **10 Sustainable Business Trends Worth Knowing For 2012**

1. Big and small firms continue to join forces. Continued B2B collaboration.
2. Continuation of private/ public NGO forces uniting for greater good
3. Continued focus on biodiversity from a business perspective (see, Dow Asks, What's the Business Case for Protecting Nature?)
4. Water: access to water, water management, water in the supply chain
5. Transparency and reporting - especially integrated reporting of financial and sustainability reports. A growth in the number of organizations reporting as noted by the Carbon Disclosure Project.
6. Green Supply Chain - elevating sustainable supply chain management as a strategic business sustainability function
7. Local and organic food gains more momentum

8. Emerging markets and their impact
9. Wider adaptation of social media for stakeholder engagement
10. The role of boards: oversight and inclusion of business sustainability mandates

## **Trends in Ethical Business Leadership 2012**

1. Top Consumers are Doing Ethical Shopping before Purchasing and are choosing to Support Ethical Businesses.
2. Consumers are Actively Reviewing Products and Companies Online to Inform Other Purchasers.
3. Consumers and Businesses are Shopping Locally.
4. Businesses are Being Held Accountable for Telling the Truth about Products.
5. Leaders are Learning Skills for Collaborative Problem-Solving and Leading through Complexity
6. Leaders are expected to Use Inclusive Language and Respect Others
7. Sustainable Business is becoming the New Minimum Standard
8. Businesses are Moving Away From Cheap Additives and Chemicals That Increased Profit but Harmed Health and the Environment
9. C-Suite Leaders are expected to demonstrate that they are Leading Responsibly
10. Ethical Leadership is the New Leadership

## **What about an Ethical Product?**

If we add ethical considerations, the list includes:

- sustainably-made
- free from harmful ingredients
- safely packaged using non-toxic packaging
- minimally packaged
- sustainably distributed
- responsibly sold
- truthful in advertisements and labeling
- tested without harming
- produced using fair labor
- produced using ethically-sourced ingredients
- produced using minimal or zero production footprint

## **The Growth of Corporate Responsibility**

‘Corporate responsibility’ is the phrase used to describe businesses which have decided to behave in a deliberately socially responsible manner.

Obeying the strict letter of the law doesn’t always solve these problems, although it does keep the business out of trouble with the authorities. Laws are general, and don’t always act as a good guide to decisions in any one individual case. Laws have to be interpreted by courts, and it is not always obvious what is illegal until the case goes to court. Laws don’t cover all the areas that people consider important in ethical behaviour. For example, it may be perfectly legal to dump waste at sea, but many people would consider this to be unacceptable behaviour.

In many cases different ethical principles pull in opposite directions. For example, closing a polluting factory may be good for the environment, but it is not going to help the local community who need the jobs and the incomes. What should the business do? Whatever it does,

it is going to upset one group of people or another, because society at large cannot clearly answer these questions, and there is no clear guide to the business how to behave.

Businesses which get caught acting unethically suffer much more damage than used to be the case. The press is much more active in investigating and publicising such cases. The population at large takes more interest, has their own views, and is more willing to let their displeasure be known. Pressure groups opposed to some activities of business are much better organised, better financed and better able to attack such businesses. Huntingdon Life Sciences has been an extreme example, because the Animal Liberation Movement is prepared to use extreme (and ethically dubious) methods. Not only have employees been threatened, but the employees of shareholders and banks, so the business nearly went bust through lack of finance. This shows that the opponents of business understand business and its weak points very well.

The internet now allows very rapid sharing of information across the world (and MNCs operate across the world). There are many web sites devoted to publicising and discussing the behaviour of businesses. Whistle-blowing is more acceptable, and even protected by law in some countries, so access to secret information is now better.

### **Increasing Consumer Activism**

Consumer campaigns can be very effective. If enough consumers stop buying from business revenues will fall until the business is forced to change or go bust. Managers don't like the negative publicity, and are sometimes embarrassed by their own decisions anyway; they know they are dubious decisions. Suppliers may want to switch away from such a business because there is guilt by association.

In extremes there may be an investors strike where large numbers of people refuse to buy the shares of such a business and the business cannot raise finance. A large number of US pension funds (especially in the public sector) used to refuse to invest in US businesses involved in apartheid S Africa. Businesses may also have trouble recruiting enough good employees.

### **Benefits of Ethical Behaviour**

The main benefits for a business of behaving ethically are:

1. Avoidance of expensive and embarrassing PR disasters.
2. Better image with consumers and better sales.
3. Better recruitment.
4. Better employee motivation because employees are proud of their jobs.

### **Effects of Ethical Behaviour**

1. Increased costs as businesses try to do what is expected eg not pay bottom wages, or dump pollution cheaply at sea.
2. Conflict between profit and ethical standards.
3. Business practice and organisational culture will have to be changed.
4. Changes in relations with suppliers. This may mean passing the same standards down the supply chain, and severing relations with suppliers not prepared to meet the same standards. Alternative suppliers may be more expensive. For example, the export of Brazilian mahogany is illegal for reasons of conservation, but it is very difficult (and expensive) to buy mahogany that is absolutely guaranteed to come from an officially recognised sustainable source.

This framework creates an interactive relationship among global competitiveness, financial performance, corporate citizenship and image that is stronger than simply aiming to maximize shareholder value. The goal is to create long-term stakeholder value by taking advantage of opportunities and managing risks related to economic, environmental and social developments. Success for all enlightened organizations today includes, among other factors, the ability to build a brand that inspires and breeds trust. Though ethical changes can be difficult to create and instill in an organization, leaders must be cognizant of sustaining a constantly “enhanced” image in the

global marketplace. Not only must the company have a strong ethical foundation—that foundation must also be evident.

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