

## **Incorporating Business Ethics into Governance for Sustainable Organizational Development; The Small Scale Approach**

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### **Abstract**

It is cliché that recent environmental discomforts are substantial, and that business contributes to them. A primary response is hard environmental regulations, which often limit growth. This situation leads to a trade-off between a business growth and healthy environment. As a result, opportunities for business may be inhibited. Nonetheless, there are some forms of practices that are economically, environmentally and socially sustainable. Sustainable development is all about a radical change in the way of undertaking business activities. This paper has identified three major connections namely bearable, viable and equitable between the field of business ethics and sustainable organizational development. The paper has further suggested ways to strengthen this relationship for improved sustainable business development to all who are affected by the business. These suggestions have been group under the three connections. Some of these are the 3Rs, going green, fair and equitable remuneration. Fusing all three connections together, business must practice the “law of karma” and desist from “tragedy of commons”

**Keywords:** Business Ethics, Sustainable Development, Small Scale.

### **1. Introduction**

It is not wrong at first glance to think that there is no relationship between ethics and sustainable business development. Ethics is a three-thousand-year-old inquiry into the nature of the good life for good society, born of political theory and philosophy.

Sustainability is a relatively modern concept originally concerned with environmental stewardship, born of ecology and the environmental movement.

More recently, however, sustainability has expanded into the concept of social and economic justice and for that matter the business as essential factors in a sustainable developed organization. In this context, business organizations need to expand their understanding of their objective of wealth maximization and growth to include care for all species and the systems that support life.

As these two concepts mature and expand, it becomes increasingly clear that sustainable development of an organization flows from ethics and moral life like a river in springtime. There are several major connections between the fields of ethics and sustainable business development, and they can be summarized by the following three words **bearable, viable and equitable**.

This report seek to evaluate the connection between business ethics and sustainable development in organization and the suggest ways to improve this relationship for improve sustainable development to all who are affected by the business.

## 2. Methodology of Study

This paper starts by linking ethics to sustainable development. It explains the some concepts in ethics and sustainable development in the form of definitions. It dives deep into the topic by rooting out the bottom line of sustainable business development which is environmental, economic and social. The paper further brings out connections among the bottom line variables and detailed out some practices small scale business can adopt to achieve sustainable business development. The study concludes by saying that sustainable development is a pervasive philosophy to which every participant in the global economy (including small and medium scale business) must subscribe.

- **Definitions** Ethics can be defined as the critical structured examination of how we should behave—in particular how we should constraint the pursuit of self interest when our actions affect others. (Dr. Chris MacDonald, *businessethic.com*) [9]
- Ethics are the rules of conduct and moral principles that guide individual or group behavior. Ethics is doing things right as if you care about others.
- Business ethics can be defined as the critical, structured examination of how people and institutions should behave in the world of commerce. In particular, it involves examining appropriate constraints on the pursuit of profits when the actions of firms affect others. (Dr. Chris MacDonald, *businessethic.com*) [9]. Business ethics is all about business doing things right as if they care about others. That is, using the right means to achieve a right objective for the benefit of all including the environment.
- Sustainability: “Meeting the needs of the present without compromising the ability of future generations to meet their own needs.” (Brundtland Report to the United Nations, 1987) [7]

- Sustainable ethics is a new discipline that analyzes the issues regarding our moral obligations to future generations with respect to the environment.
- Business sustainable development means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future.

### **3. Conceptual Framework**

It is unprecedented for a country to enjoy economic growth without growing demand for natural resources and environmental problems as well. It has become impossible to have business success and economic growth without environmental sustainability. In response to world outcry of global warming, inequality at workplace, coupled with exploitation of natural resource by business, companies have started reporting on their impact on the communities and environment in the form of sustainable reporting. Some countries such as France have made it legislation for companies to undertake sustainable reporting. It is also a requirement for companies on South Africa Stock Exchange to include sustainable reporting.

Global Reporting Initiative (GRI) a well know authority in sustainable development, reported that there are 826 sustainability report issued by companies as at 2011. The Times of India also reported in December 2012, 80 companies from India have adopted the GRI sustainable reporting practice as against 34 in 2011.

All the above literature, points to the fact that, governments, business partners, as well as companies are very critical about sustainable development. These efforts on sustainable development are mostly geared towards big companies. As reported by the Times of India, companies adopting sustainable development practice are the big ones such as WIPRO, TATA, INFOSYS and others. TATA (Automotive) is pioneer in sustainability reporting in India. It started reporting their sustainable performance from year 2001 based on GRI guidelines. These initiatives are designed by the companies' own experts and driven by each company's local needs and opportunities, but there was little evidence that they were influencing their local suppliers. (George Wyeth 2013) [6]. It is obvious that, these companies cause the major environmental problems. Again they have the capacity to solve these problems.

Should we wait for companies to become big before we charge them to be sustainable in their business? Should companies make higher earnings before thinking about the environment?

We may not need strict laws and acts to regulate activities of our small and start-up companies as it may be seen as constrain to growth. With ethical tools, small business will develop the habit and zeal to do things that will not compromise on the needs future generation.

Many studies have proven that, small and medium scale businesses are major contributors towards unsustainable activities such as social injustice at workplace, environmental degradation and unfair treatment to customer. Reports by world organizations such as OECD and UNDP show that about 40% of environmental

pollutions are caused by small scale business due to the use of poor technology. Unfortunately laws and other sustainable measures seem to be lenient or exempt these segments.

#### 4. The Bottom Line of Sustainable Business Development

**Environmental:** This element examines business activities on natural resources and natural environment. This includes the impacts of business processes, products, and services on air, water, land, biodiversity and human health. For example the effect of carbon oxide emission on greenhouse.

**Social:** The social element evaluate the how business activities affect its people welfare especially employees. Some of these are; protection of human rights, labor rights (e.g. freedom of association, child labor or discriminating unlawfully), workplace health and safety, and wages and benefits and working conditions within the company itself and at outsourced operations (suppliers and subcontractors). For example, companies may be accused of exploiting their workforces by paying them poverty wages.

**Economic:** This element on the other hand looks at how business responses to the economic well being of people it include but not limited to, labor productivity, job creation, product pricing, expenditures on outsourcing, expenditures on research and development, and investments in training and other forms of human capital. For example, companies may support their communities by employing many workers, or they may provide vital goods and markets for local produce.

These three interrelated elements are sometimes also known as a company's "triple bottom line" sustainable organizational development. Maximizing the positive impacts and minimizing the negative impacts in all areas related to the triple bottom line is becoming an increasingly high profile issue for companies.

#### 5. The Connections between Business Ethics and Sustainable Development for Organization

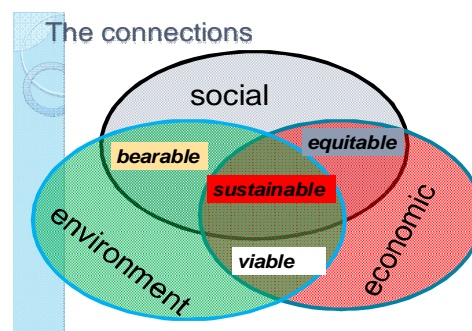


Fig. 1: The Connections.

### **5.1 Bearable (Environment and Social)**

This connection emphasizes that business activities must have good bearing on the society and the environment hence business actions must improve the welfare of society and the environment. Some of such practices towards the social environment and society are;

- Ranking your green efforts first. Business must put greening efforts as a top priority on their responsibility list. This can be done by answering the following questions. How to produced goods and services be better? What are the ways of encouraging customers to use products more responsibly? And what alternative sourcing arrangements can you make? How can you encourage customers to use products more responsibly—for example, using less hot water with home cleaning product? ITC Limited introduction of ozone-treated elemental chlorine free' bleaching technology in India is an example.
- Encouraging energy savings above all else. Avoiding any activities that cause high carbon emissions and business should reduce carbon footprint where possible. Example switching off lights during daytime and out of office hours. Tata Metaliks is known to use sunlight during day rather than electricity.
- Developing alternatives to shift towards a greener business model. Using nature friendly sources of energy such as sun and wind. Suzlon Energy is a typical example for its use of wind turbines. Business should move from just selling products to providing services. For example, services around car clubs and sharing schemes are growing as an innovative and greener alternative to car ownership.
- Looking beyond your own environmental performance and being an advocate. Business must help promote the culture of good environmental practice. They should encourage each other to undertake eco friendly activities [12].

### **5.2 Equitable (Economic and Social)**

This connection establishes the relationship between the economical goals and social goals of business organization. The following are some of the ethical practices business should undertake to ensure balance between its economic and social activities.

- High quality products: business organization must produce high quality and health products for its customers. They should use the right and quality raw materials.
- Low pricing products: business should not take the ignorance of its consumers to charge exorbitant prices. Business should rather take into consideration the welfare of the society in the pricing of its products.
- Non discrimination at workplace: all employees irrespective of its gender, status or caste should be treated equal. Example all staff must be given the same incentives to rise in the organization. Business must not discriminate against women or take advantage of them in filling positions
- Equitable remuneration: “for how much I contribute to the preparation of the cake so as I must eat.” Salary must be paid on individual contribution and work

schedule but not on family relationships or caste system. Again salary must reflect the economic trends and performance of the business. “Share it to all who contributed to it”

### 5.3 Viable (economic and environment)

Business organization can improve the environment and the same time increase their economic gain by practice the following basic natural ethics of 3R (Reduce, Reuse and Recycle).

- **Reduce.** Business should cut down their use of basic raw materials such as paper by asking staff to print double-sided and using soft copies rather than hard copies. This will reduce the demand for papers and fall in paper production hence decrease in tree cutting.
- **Reuse.** by encouraging staff to use same carrying bags for similar purchase over long time to avoid huge polythene in the soil.
- **Recycle.** Industry must recycle its waste natural resource like water for another use. Example is the recycle of waste washing water from agro manufacturing firm to irrigate its farms. This will reduce the pressure on water bodies.

Practicing this 3Rs will reduce the cost of business operation and the same time improves the environment for a better living today and the future.

### 6.4 Sustainable (*the Intersect*)

Business must live by the law of karma: “do unto others as you want others to do to you”.

Business must do away from tragedy of commons, which is the depletion of a shared resource by individuals, acting independently and rationally according to each one's self-interest, despite their understanding that depleting the common resource is contrary to the group's long-term best interests (wikipedia.org) [11].

## 6. Conclusion

Sustainable development is a pervasive philosophy to which every participant in the global economy (including small and medium scale business) must subscribe, if we are to meet today's needs without compromising the ability of future generations to meet their own. Only when individuals and society have a belief system that acknowledges the importance of the natural environment to human development will they engage in actions for environmental conservation and sustainable development.

Business should not only say we conserving so much water; also they should say how much ground water they are depleting. In salaries, say how it compares with salaries of other companies in the area, how it impacts the area. (D K S Moorthy, Times of India).

Whenever we pick up a piece of litter, ride our bicycle instead of driving our motorbike and cars, respond to pain and injustice in the human or natural world by championing ethics, whenever we do things right as if we care about others: we advance ethics and sustainability. The choice is ours.

## **7. Acknowledgement**

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