

## Business ethics, corporate social responsibility and sustainable development in Indian organizations

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### Abstract

Business ethics has been considered as a very important subject among business people and government policy maker for a long time. Extensive work has been done to explore the meaning and consequences of business ethics. Considerable researches show that business ethics encompasses all functions of business and results in the financial benefit of business. But in recent years, some other topics like corporate social responsibility and sustainable development got the attention of business scholars and governing bodies. While business ethics covers all functions of business, then what is the need of other topics which seem nothing but the sub-topics of business ethics? Emergence, meaning, significance, functions and outcomes of business ethics as well as corporate social responsibility and sustainable development are discussed in present paper. For the same purpose, policies of corporate social responsibility and sustainable development of major Indian organizations were analyzed. Analysis showed that vast area and difficulty in implication of business ethics made a road for new subjects which focus on limited area of concern and easy to implement. Further, analysis revealed that there is a huge requirement to restructure the corporate social responsibility and sustainable development policies of Indian business firms.

**Keywords:** Business ethics, corporate social responsibility, sustainable development, Indian Organizations, organizational values.

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When liberalization, globalization and privatization are taking place rapidly; business ethics, corporate social responsibility and sustainable development become the most important topics of today's business world. Due to changing scenario of business world, many aspects and processes of business functions have changed. The focus of business managers also got changed. There was a time when business organizations were considered as only a money making instrument. But as changes have taken place business community (business owners, managers, governing bodies) also understood the importance of society and environment in which they work. This changing scenario became a cause of new business outline as corporate social responsibility and sustainable development. Present manuscript intended to give an idea about business ethics, corporate social responsibility (CSR) and sustainable development. This manuscript examined how all these constructs have been taken in Indian business context and how these construct got developed over time. Meaning, functions, determinants and outcomes of business ethics, CSR and sustainable development are discussed in details. Documents of business ethics, CSR and sustainable development of major Indian business organization were analyzed. Basic structure and main characteristics of these policies were discussed.

### **Business Ethics**

Before discussing business ethics, it is reasonable to understand the meaning of ethics. The word Ethics has been derived from the ancient Greek word *ethos* meaning moral character. Ethics are very important in human life. They guide us to behave in a particular way so that society in which we live can function properly. Ethics or ethical value system is a fundamental need for the existence of any society. Without having a proper ethical value system no society can exist for long time. This statement is completely true in case of business too. None of the business system can survive until it follows some basic business ethics. However origin of ethical value system is rooted in the beginning of cultural and civic societies. Various philosophers discussed the meaning and importance of ethics in business. As business system (trade) plays a very important part in development of any society; ethical value codes for business were also discussed in every culture. Vivid principles of business management were mentioned in different cultures as per their social, economical, geographical and moral constraints. Business ethics encompasses the every function of business. From production to sales and then customer services; business ethics helps to determine what to do and how to do in situation of moral dilemmas.

### **Corporate social responsibility (CSR):**

The concept of CSR was originated in 1950's in America when the Americans started to face social problems such as unemployment, economic breakdown and poverty. As discussed earlier business ethics covers all functions of a business organization. Then, why the subject of corporate social responsibility found a place in business glossary. CSR is somehow very similar to the business ethics and both have a focus on the moral and social values of business organization. So, in this sense CSR seems as an extension business ethics. Basically there can be two main reasons for the emergence of CSR as an essential feature of an organization. First, CSR seems as an extension of business ethics that covers a particular set of enquiry. Second, it is true that business ethics covers the ethical or moral aspect of organization but special focus on the social responsibility of organization (where organization exist) was felt by the business scholars and government officials. Due to these two basic reasons, CSR found its own place in business world and got flourish with the special attention of business scholars and governments of different nations. CSR is not different from business ethics in functioning but only in area of focal point. CSR mainly focuses on the need of society where the organization is situated or the society as a whole. CSR estimates the social harms which are caused by the industry and further works on the removal of these problems. Here, there is a very important point to remember which says that duty of CSR does not end on the removal of harms caused by industry. But it is extended to the activities those are intended to improve the present conditions of society. Similar thought were

proposed by Davis and Blomstrom (1975) they defined corporate social responsibility as duty of business managers (or decision makers) to implement policies those aim to protect and improve the wellbeing of the whole society along with organization's economic interest. Robin and Reidenbach (1987) discussed the role of stakeholder in making and implementation of CSR policies. Authors gave logic of taking organization as a family. As we incorporate values to our family, similarly we can integrate social value like sympathy, care, harmony, corporation in the functioning of an organization. Biggs and Ward (2004) argued that there is a link among CSR, good governance and corporate accountability. They believed that good public governance is essential for every fruitful CSR policy. Further they suggested that organizations should consider the multi stakeholder approach while framing CSR policies and must choose more inclusive scheme through integrative value framework. Another very important department that plays a vital role in CSR policies is HR department. Lockwood (2004) discussed the important role of HR department in CSR; he further argued that now organizations should shift their attention from first and second generation CSR policies and move to third generation CSR policies. First and second generation CSR policies actually address the relevant social issues and committed to solve these social issues.

**Sustainable development:**

Last few decades have been witnessed the changes in primary objective of business policy makers in developed countries. Having realized the cost of mere physical or materialistic development, developed countries started focusing on the sustainable development. It is not true that developing countries are completely unaware about the demands of sustainable development. But as they have different requirement and availability of resources; they have more focus on production and physical development. But, in last decades considerable changes have been observed in working style of organizations in developing countries (e.g. India) also. Now developing countries also made sustainable development policies compulsory for every organization. Many geographical, social, economical and international factors made the route for this change. For example, in convention of RIO-20 (2012) member countries of RIO made an agreement on developing a set of objectives for the sustainable development. This convention made a remarkable change in the mind set of business people and government policy makers and transformed the business objectives from mere economical development to the sustainable development. Sustainable development comprises economical, social and environmental development. Van Marrewijk and Verre (2003) defined sustainable development as organization's voluntary activities which includes the social and environmental problem (whether organization causes the problem or not) in business decision making and interactions with stakeholders. As people realized that sustainable development is the necessity of today's era, they started focusing on how we can achieve the goal of sustainable development. There are two big challenges to sustainable development, first how to recover the damages which were done in past and second what are the policies which help to support the social and environment for future. To face these challenges, commitment of business managers and government policy maker is essentially required. People need to think about environment and social harm before launching any production unit or government policy. Before initializing any organizational unit, there must be a provision for fair social and environment audit which clarifies the effect of unit on social and environmental variables. Then decent measures must be taken to minimize the damaging effect of organizational unit according to the audit report. Except, the changing mind set of business people; science and economics are the two major subjects which may play a determining role in achieving the sustainable goal. Science and economics played a very crucial role in industrial development. They are the two basic pillar on which any organization can stand and grow. Now it is the duty of scientist and economists to come up with needed solution for sustainable development.

Pereria and Funtowicz (2009) argue the importance of science in policy making; especially in today's changing scenario where demands of environmental protection and sustainability cannot be ignored. Science can provide alternative ways to achieve economical development with sustainable future. People who are working in the area of research and development; they should focus on the issues of environmental and social protection. There is no doubt on the ability of scientists to find more environmental friendly mechanism of industrial development. Science people only need to shift their attention to sustainable and holistic development rather mere economical development. Many scientific discoveries caused environmental distress and made human life cheaper than ever before. Now-a-days, science needs to re-examine the need and applicability of discoveries those caused problem and if possible completely shut down those projects which causes any threat to environment. Any leniency in research and development from scientific community can harm many innocent people of society. So, science people should consider society first. Society and industries are completely inherent; every industry works in any society so any harm to society will result in harm to industry at the end. Protecting society is not a charity work but it is a need of present time. Second, very important discipline in the field of sustainable development is economics. Economics deals with the monetary function of the organization. It examines the flow of money in organization and aims to make more financial profit with minimum cost. Overall, economists have a duty to keep an eye on every expenditure and profit of organization and try to maximize the later. Economics is a central bone of every industry, without having a sound economy none of the organization can stand for long time. Economists work to discover the ways which secure the organization from any loss and strengthen the chances of financial benefits. Economists work on both micro and macro level and secure the financial position of an organization. Fundamentally economists have a duty to maintain the sound economy of an organization. But it is very illogical if they work only on monetary benefits without keeping in mind the social and environmental harm of their economic policies. As quoted earlier, economists work on micro and macro level, so every policy they offer has effect on society as well as on organization. Definitely, it is unprofessional if we ask economists to make a policy having no consideration for financial position of industry and only focus on the benefits of society and environment. But it is also completely unethical if economists only focus on the financial benefits of industry at the cost of social and environmental disturbance. It is well believed that today's business world is highly uncertain and involves high risk. In this typical situation, every economist wants to offer a policy which has minimum risk and maximum certainty of benefit. But it is rare that any economic policy has no risk. Every economic policy involves some risk; and it is up to financial management department how they manage this risk and find a better solution. If every policy has risk then why we do not take this risk for the betterment of society where the industry actually exists and make profit for owner. If industries regularly harm the society where they exist; after some time they will find a situation where nothing is left to make profit and even for survive. Till date, in the name of scientific and economic development we already have destroyed the environment and social structure of world a lot. Now this is the time to stop this tendency else nothing will be spare to save.

To achieve an unbroken economic development it is necessary to focus on the social and environment development; then we can achieve sustained development. For the same purpose organizations need to focus on the suitable goals and indicators of social-environment development. Simply these goals and indicators can be global in nature but national, cultural and geographical condition must be taken into consideration before executing any sustainable development policy. Except business people it is civic responsibility of society members to understand the need of environmental protection and help in implementation of sustainable development policy. It is very crucial to include the specialized people from society while discussing any sustainable policy and give importance to their practical knowledge and

experience. It will also help in smooth functioning of policy as it find the favorable support from every aspect of society and organization where it is going to implement.

**Business Ethics, CSR and Sustainable development in India:**

India has a vast history of rich value system. Many Indian traditional texts explain the importance of the moral values/ethics in business. How social and human values should be integrated in business; how values help in flourishing business; how society and business are inclusive; and many other important discussions can be found in Indian texts. Not only the texts, but there are many living examples which show that business in India never served as mean for economic profit only. Business is an excellent instrument to develop a better society. "Father of the nation," Mahatma Gandhi, said that capitalists (business) should always work for the society; because essentially it is the society which gives you the chance to manage the resources of the society for your business. Gandhi gave more importance to the society than business; as society is in a position to give opportunity to work or not in particular society; and business community just depends on the resources given by the society and nature to run their business. But after independence a drastic change in business functioning has been noticed. Indian business organization started considering the financial stability more important than ethical values and sustainable development. However, few organizations kept their approach into right direction and continued promoting beneficial activities for the society and still they are doing the same. Tata group is one of such industries which believe in duties of organization for society and environment. Tata group was founded by Jamshedji Tata in 1868. From its inception, this organization has taken many important steps for the welfare of the society and environment. Tata industries have been directly engaged in many social work e.g. "Green Millennium Campaign" through which Tata industries planted 1.5 millions surviving trees. Except this many education, health and community programs run by Tata industries to improve the quality of citizen.

SAIL (Steel Authority of India) is another company in this series. However, it is state owned organization but it always like to initiate community work programs. SAIL has a vision of "create a positive influence in communities and societies where we operate". Vision itself shows the intention of organization towards the society. SAIL runs many educational programs for poor and marginalized children. It also works on environmental safety, agriculture, poultry and fishery programs. SAIL also run a unique programme of "Road safety"; this programme aims to educate children and drivers about the road safety measures. Aditya Birla group of industry is very renowned multinational company, which was started by Seth Shiv Naryan Birla in 1857. It is one of the oldest Indian companies; it runs "Aditya Birla centre for community and rural development" programme for the betterment of rural Indian. Along with focus on rural development, company also works in the area of education, Health, family welfare, agricultural development and sustainable development. Aditya Birla group of industries have a vision of active contribution to the social and economic development of the communities in which they operate. Company vision has a very integrative approach to development that cover more or less all the aspect of business ethics CSR and Sustainable development.

**Conclusion:**

Business ethics, CSR and sustainable development are the concepts those mean to think beyond the economic development and focus on value enriched development of an organization. These concepts make the business community to integrate the social and environmental development to their agenda of growth. These concepts widened the area of policy making and open the chances of interaction between organization with their all stake holders which includes employees, customers, shareholders, investors, society, public government and natural environment. Principles of business ethics determine what is right and what is wrong and they help to discriminate between do's and don'ts. CSR and sustainable development is linked with the principles of business ethics. CSR and sustainable development extends the boundaries of

principles of ethics from organizational context to social and environmental arena. While business ethics mainly focuses on the internal moral functions of the organizations, CSR and sustainable development pushes these principles to the next level, where these principles can be utilized for the betterment of the society and the environment also. All these concepts (business ethics, CSR and sustainable development) give the world a three tier security from corporate hazards. Firstly, business ethics protects employees and immediate stakeholders. Secondly, CSR provides protection and improvement of the society in which the organization exists and works. At last, sustainable development policies take care of the exploitation of the overall natural environment. Hence, all these concepts are significant for the benefit of the present as well as the future world.

Although India is capable in solving environmental and social problem through knowledge of science, economics and other related disciplines, but there is big gap between India's potential and its application in the result oriented policy making and then implication of these policies. Generally, in India, policy makers are the politicians who have nothing to do with science, economics and other disciplines. Most of people in Indian government do not recognize the potential of science, social science and humanities. They have a completely different mind-set and orientation. As politicians always find a good authority in policy making; their influence can be seen in policies. Due to these few reasons, the real potential of Indian scientific knowledge yet to utilize in real applicable areas. Perhaps the members of Indian Government are the big barrier in Indian sustainable development, but India's business community and science community also have some fault. Different disciplines of science and social science should work together for the betterment of society. Integrative approach has shown its superiority in the western countries and now it's time for Indian academicians and scientists to come forward and work together to protect and improve the conditions of society and environment along with industrial development. Holistic development of any nation/ society can be built on the four pillars name as: public government, business community, scientific community and citizen of society. When all these major departments work properly then only we can think about the development in present time along with similar happy future. Else the whole society will face a bad future. Whole world will have to pay discrepancy in any job done by these departments. So it's their duty to complete their task effectively and whole society has the duty to check the every deed of all these departments.

#### **Limitations and Future Recommendations:**

This paper focuses on the meaning and importance of business ethics, corporate social responsibility and sustainable development. However, policies of CSR and sustainable development of major Indian organizations also discussed here. But this discussion did not aim to critically evaluate these policies. No attempt was made to analyze the consequences of the policies on ground level. So no conclusion could be made about the efficiency and effectiveness of policies. Further researches can be aimed to resolve these limitations.

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