

PROFIT WITH GOODNESS: ROLE OF BUSINESS CORPORATIONS IN SUSTAINABLE DEVELOPMENT

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A large part of our institutions and organizations in India are working with traditional and old world view. Positive approaches to promotion of corporate sustainability can only arise from noble universal values and fundamental human concerns at workplace. Business is promoted when rules are honest and simple and restricted to economic issues rather than used as a means of new forms of exploitation. This way is critically important to increase welfare of corporations.

There is solution to all major problems, if we apply wholesome sustainable development to corporate ethics. It requires radical shift in our perception, our thinking and our values. In India, we are now at the beginning of a fundamental change towards corporate social responsibility and creating corporate sustainable value for achieving corporate shubh-labh, i.e. profit with overall goodness. A paradigm may be creating corporate sustainable value, seeing the work, production and other work of corporate as an integrated part of corporate sustainability. All the corporate functions and people are embedded in the cyclical process of natural, social, and economic environment.

The fabric of harmonious human society and a healthy, sustainability and beautiful natural environment are the deepest and purest form of wealth. Corporate shubh labh is possible only when we start thinking and working with the philosophy of deep ecology. When all the employees will start feeling a sense of belongingness, connectedness to the cosmos as a whole, it becomes clear that corporate sustainability is spiritual in its deepest sense. A sustainability vision that facilitates competitive imagination by creating a shared roadmap for tomorrow's business provides guidance to employees in terms of organizational priorities, technology development, resource allocation, and business model design.

Key Words: Sustainable Development, Corporate Sustainability, Clean and Green Technology.

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In India, we are now at the beginning of a fundamental change towards corporate social responsibility and creating corporate sustainable value for achieving corporate welfare. A paradigm may be creating corporate sustainable value, seeing the work, production and other work of corporate as an integrated part of corporate sustainability. All the corporate functions and people are embedded in the cyclical process of natural, social, and economic environment.

The paper is to describe the development of thinking around “Green productivity and to extrapolate to a generic analysis and providing a sustainable framework for organization. Improving business framework with sustainability is now combined into a movement of new approach for corporate sustainability. Organization has to work with new thinking and with new ways of approaching old problems.

It would be possible when we address these issues together, but it is most effective when we consider entire plan as part of total review of the cycle of products and their manufacturing and delivery process.

The paper would be discussed under following sub headings

1. Introduction
2. Corporate sustainability and sustainable enterprise
3. Role of business for sustainable development
4. Understanding the sustainable development in business corporation through the lens of theory of production
5. Growing profits and reducing risk for corporate sustainability
6. Multidimensional model for corporate welfare
7. Proposed framework for corporate sustainability
8. Sustainable corporate Sub -Labh Framework
9. Conclusion

1. Introduction:

Sustainable development (SD) has emerged as a new paradigm of development. It is integrating economic growth, social development, and environmental protection as interdependent and mutually supportive element of long term development. SD emphasizes participatory, multi-stake holder approach to policy makers. It helps in implementation, mobilizing public and private resources for wholesome sustainable development and developing knowledge, skills and energy of all social and economic groups.

Sustainable development has been variously expressed in terms of vision expression, value change, moral development, social recognition and transformational process towards desired future or better world.

The term sustainability first came to widespread acceptance in the Brundtland report in 1987 where it was defined as "development that fulfills the needs of the present without limiting the potential for meeting the needs of future generations". At that time the concept and study of sustainable development had hardly left the domain of environmentalists and ecologists.

More recently, the term 'sustainability' has grown to encompass social and economic components as well as its historical work on the environment. This has developed into the notion of corporate social responsibility which is to create progressively higher standards of living, while preserving, and enhancing, the profitability of the corporation, for its stakeholders both within and outside the corporation.

Thomas N. (1995) describes sustainability - as a participatory process which creates and pursues a vision of community that respects and makes prudent use of all resources-natural, human, social, cultural and scientific, etc.

The idea of sustainability has come to represent these rising expectations for social and environmental performance. Sustainable development "is a process of achieving human development in an inclusive, connected, equitable, prudent, and secure manner"(Gladwin T. et al. 1995).

Generally people think that sustainability is only a matter of pollution control and they are missing the bigger picture. Rarely greening linked to strategy or technological development and, as a result, most companies fail to recognize opportunities of potential staggering proportions. (Holiday and Schmidheing: 2002)

A prominent American Environmentalist (S. Clark, Executive Director of Colombia Foundation) says that "when we use the term environment it makes seem as if the problem is out there but the problem is not external to us; it's us".

The human family will need a new way of looking at the world that is a new paradigm to create a harmonious integrated future. The only way the human family can understand and solve these problems is by shifting to a larger paradigm that includes the entire earth as a living system.

If every thing is closely interconnected, then the quality and truthfulness of all kinds of relationships are of supreme concern. A natural expression of this paradigm is to bring into balance all key relationships in our lives –inner and outer, masculine and feminine, personal and universal, intuitive and logical and more. This perspective tends to bridge differences, connect people, celebrate diversity, harmonize efforts, and look for common ground. (Duane Elgin 1997)

Green may be social, conservatives, intellectuals, poor or rich people, Buddhist, Christians, Muslims, or humanist. Most share a fear that industrial nations are pursuing an unsustainable dangerous development path. (Porrit J-1984)

2. Corporate Sustainability and Sustainable Enterprise

Growing awareness and development of the links between corporate sustainability performance and business value is expected to make sustainable development an essential part of a company's business strategy.

Corporate sustainability is “a business approach to create long term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments”(Tom and Heap:2008). It is our belief that by understanding and integrating sustainability into our business culture and practices, corporation will significantly enhance its capacity to maximize value in the near and long term.

When we discuss sustainability at company level, the central objective at the company level is to reduce the ecological and social “footprint” of the organization by improving eco-efficiency and socio efficiency (Eco efficiency is defined as the ratio of the positive economic impact of company activity to the respective adverse ecological impacts). (Figge F. Hahn T., 2001)

A positive approach to promotion of corporate sustainability is only possible by applications of noble universal values and fundamental human concerns at work place. Business is promoted when rules are honest and simple and restricted to economic issues rather than used as a means of new forms of exploitation. This is the only way to increase welfare of corporation.

EXCEL (Excellence in Corporate Environment Leadership) is founded in 1996 by a group of forward looking corporate leaders. It is an initiative of the GLOBE Foundation of Canada and is managed by Ottawa-based Delphi Group. The Partnership was created out of a desire to change the relationship between environmental or social performance and financial expectations.

EXCEL believes that for corporate sustainability to be fully realized it must be linked directly and fundamentally to the core purpose of an organization and that this integration must deliver bottom line value results.

Barbara Stymiest, Chief Operating Officer of the Royal Bank of Canada (RBC), spoke of the release of the RBC Environmental Blueprint published in October 2007, which creates sustainability value by promoting environmentally friendly business activities and investments and the creation of new products aligned with environmental priorities.

A report by BIE (Business in the Environment) cited a Financial Times/PriceWaterhouseCoopers survey of 750 Chief Executive Officers who were asked their views on the most important business challenges for companies in 2000. Of those challenges listed increasing pressure for social responsibility was ranked second only to recruitment of skilled staff. In a MORI survey in 1998, 86% of adults considered the environment to be a very or extremely important part of corporate responsibility.

PricewaterhouseCoopers define corporate sustainability as aligning an organization's products and services with stakeholder expectations, thereby adding economic, environmental and social value.

Thus, a sustainable enterprise is one that contributes to sustainable development by delivering simultaneously economic, social, and environmental benefits—the so-called triple bottom line. A few firms have begun to frame sustainability as a business opportunity by offering for lowering cost and risk, growing revenues and market share through innovation and objective of increasing shareholder value

To what extent corporate and society plan their expected economic development?

Generally accepted goals include:

1. Increased community prosperity through higher quality and diverse job of sufficient quantity that the present and coming generations of workers can utilize local opportunities for rewarding careers.
2. To better support corporate infrastructure with quality product and services
3. Enhance quality of life

2.1 Role of Business for Sustainable development:

Hawken (1994) states ***“business has three basic issues to face, what it takes, what it makes and what it wastes”***. That is, how business exploits natural resources.

The excessive amounts of toxin and pollutants it produces and the excessive energy it consumes in the process; and the extraordinary wastes it leaves behind. We must develop a system of commerce that is patterned on basic ecological principles. Rethinking the fundamental purpose of business, it is not simply a means of making money or a system of making and selling things. The promise of business should be to increase the general well- being of human-kind through service, a creative invention of ethical philosophy.

The challenges associated with sustainability can be encountered viewed through appropriate strategies and practices in the business that can contribute to a more sustainable world and simultaneously, derive value for share holders.

Leading companies are finding innovative ways to improve their environmental and social performance. Their actions not only contribute to a cleaner, healthier and safer environment, they can also result in significant business benefits, including increased shareholder value. In other words, in an ever more competitive business environment, companies are profiting from making sustainability part of their business.

The more positive the business benefits, the greater the incentive for companies to improve their sustainability performance. Some of the benefits of integrating environmental and social considerations into corporate strategy include an enhanced ability to:

- Facilitate access to markets
- Attract business partners and investors
- Improve stakeholder relations
- Obtain / maintain a “social license” to operate
- Attract and retain employees
- Encourage innovation

3. Understanding the Sustainable Development in Business Corporation through the Lens of Theory of Production

This concept has been extracted from the theory of production in economics. An attempt has been made in this paper to adapt the concept and develop a new model of corporate sustainability from short run and long run production function. The corporate sustainability can be explained by two axis and four different dimensions to understand corporate sustainability.

Production involves –

- Transformation of inputs such as capital, equipment, labor, and land into output - goods and services
- In this production process, the manager is concerned with *efficiency* in the use of the inputs - technical vs. economical efficiency

Production function can be written as -

$$Q = f(K, L, La, T, E)$$

Output (Q) is dependent upon the amount of capital (K), Land (L) and Labour (La) and (T) technology and (E) efficiency used.

For creating corporate sustainability both in short run and in long run the corporate has to infuse new technology, innovation and keep on market search for remaining in competitive market.

As in short run the company can't change every input, in this period the organization should work on horizontal axis and start recognizing the importance of the larger system that the corporation operates with in. In short run organization views output not in terms of number of units produced but in terms of customer and share holder perceived value. In short run which is shown in horizontal axis recognizes a broader range of inputs to the production process. Corporate sustainability by green productivity at enterprise level should be included in external system as well as in internal system. While in long run

sustainable corporate value has to infuse for improving and creating tomorrow's technology and market for increasing share and profit.

The model is built using two dimensions that are a source of creative development for firms.

The horizontal axis (represent short run production)

- Reflects the firm's need to grow and protect internal organizational skills and capabilities
- Infusing the firm with new perspectives and knowledge from the outside
- The need to buffer the technical core so that it may operate without distraction
- Remaining open to fresh perspectives and new, disruptive models and technologies.(Fig-1)

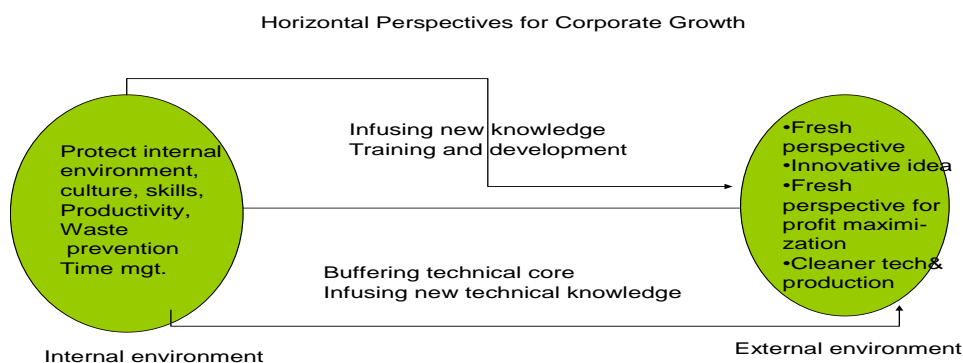
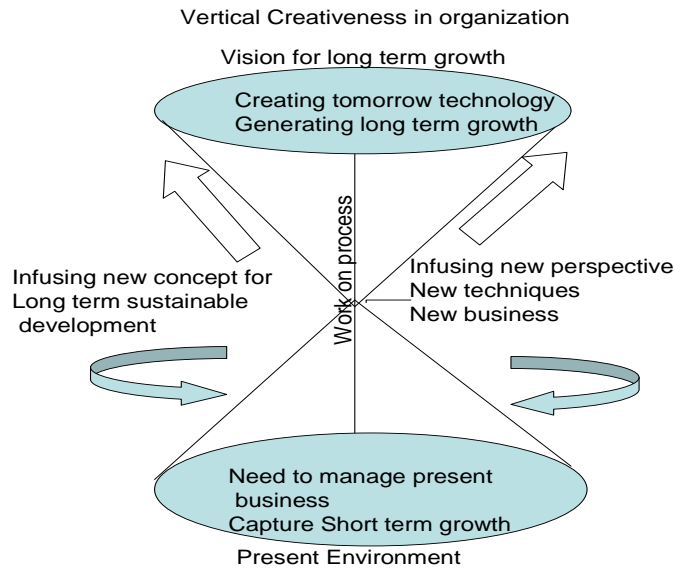


Fig-1

The vertical axis reflects: (represent long term production)

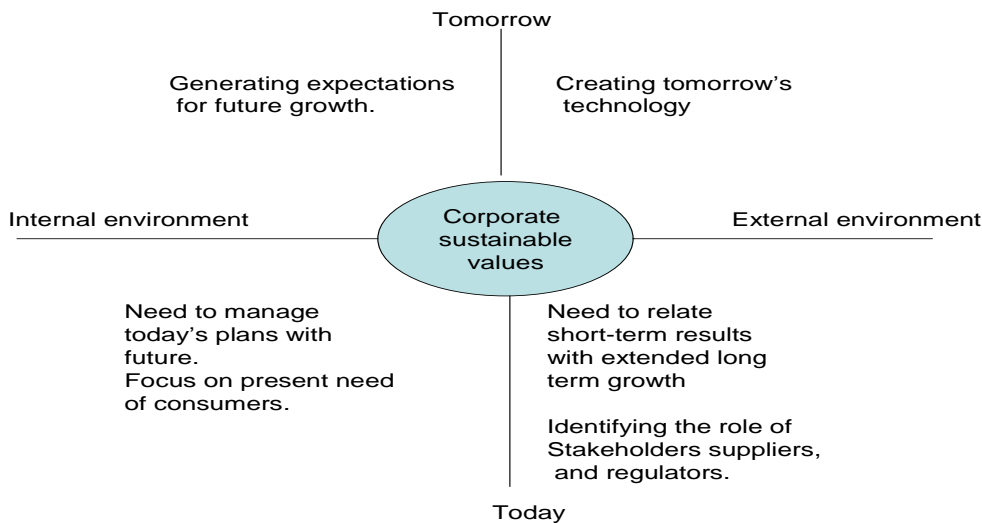
- The firm's need to manage today's business while at the same time creating tomorrow's technology and markets for increasing share and profit.
- Captures the growth experienced by the need to realize short-term results and generating long term expectations for future growth(Fig-2)

Figure -2



These two dimensions produce a matrix with four distinct quadrant of performance crucial to generating shareholder value. (Fig-3)

Fig- 3



The lower-left quadrant focuses on performance dimension that are primarily internal and near-term in nature: cost and risk minimization. Company growth and reduction in exposure to liabilities and other potential losses are important drivers of wealth creation.

The lower-right quadrant focuses on Performance dimensions that are short -term in nature but extend to include salient growth also. It includes role of stakeholders, suppliers and customers in the immediate value chain, as well as regulators, communities, NGOs, and the media (figure4).

Suitable interface of these stakeholder interests, the firm can to operate for true growth and profit making.

Fig-4

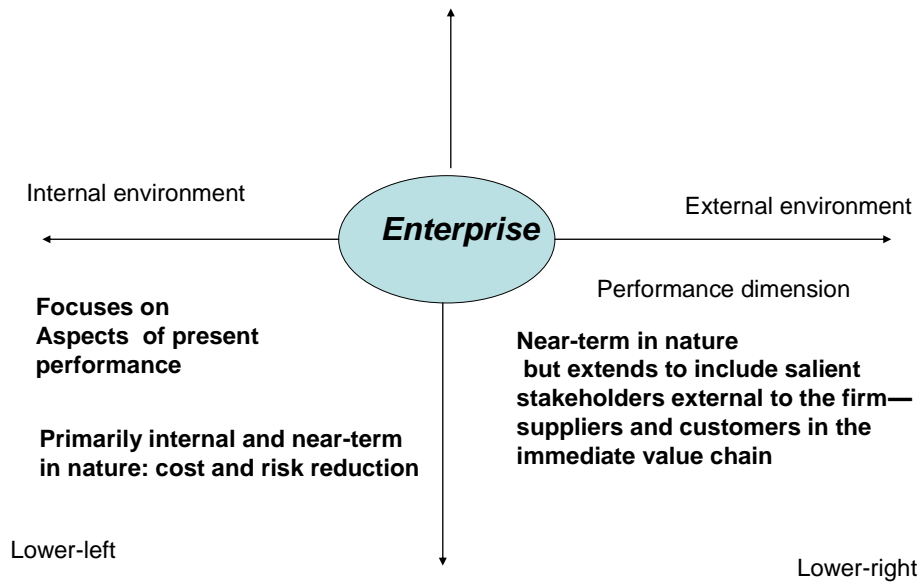


Fig-5

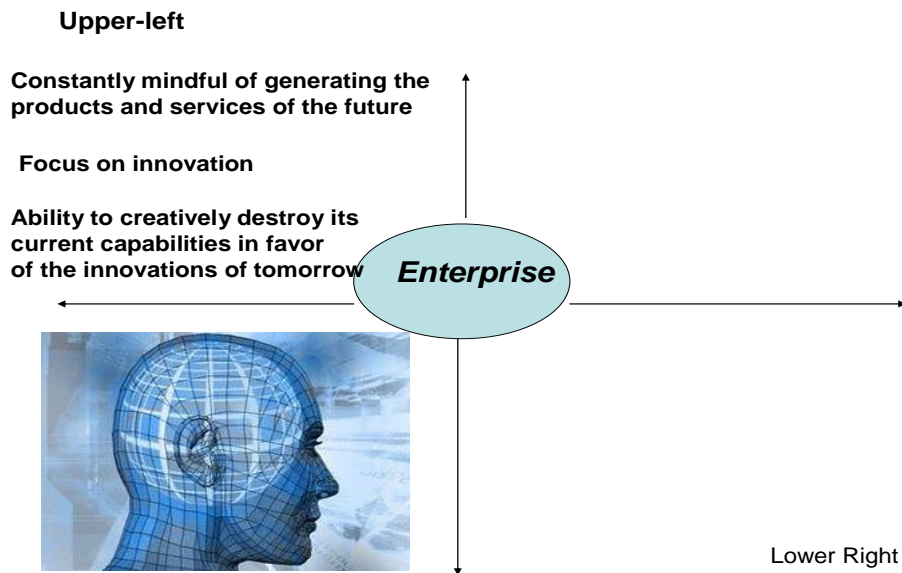
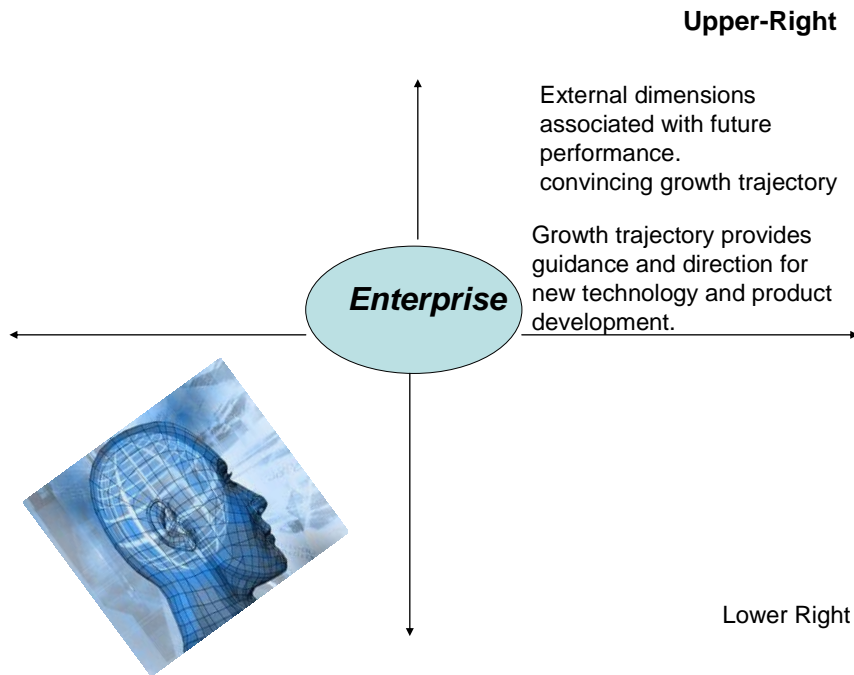


Fig-6



5. Growing Profits and Reducing Risk for Corporate Sustainability:

The problems of material consumption, waste, and pollution associated with industrialization present an opportunity for firms to lower cost and risk-

- ❖ Through the development of skills and capabilities in pollution prevention and eco-efficiency
- ❖ Pollution prevention is focused on improving the environmental efficiency of today's products and processes— that is, reducing waste and emissions from current operations. Less waste means better utilization of inputs, resulting in lower costs for raw materials and waste disposal.
- ❖ Effective pollution prevention requires extensive employee involvement, along with well-developed capabilities in continuous improvement and quality of management.

Pollution prevention, green culture and green technology thus provides managers with the clearest, fastest way to increase shareholder value by growing the bottom line for existing businesses through reductions in cost and liability.

Accelerating Innovation and Repositioning Through Clean and Green Technology

- Clean technology refers not to the incremental improvement associated with pollution prevention, but to innovations that leapfrog standard routines and knowledge.
- The rapid emergence of disruptive technologies —especially those heavily dependent upon fossil fuels, natural resources, and toxic materials to reposition their internal competencies around more sustainable technologies.

The challenge of global sustainability is complex, multidimensional, and emergent in character.

- Challenged to minimize waste from current operations (pollution prevention), while simultaneously reorienting their competency portfolios toward more sustainable technologies and skill sets (clean technology).
- challenged to engage in extensive interaction and dialogue with external stakeholders, regarding both current offerings (product stewardship) as well as how they might develop economically sound solutions to social and environmental problems for the future (sustainability vision).

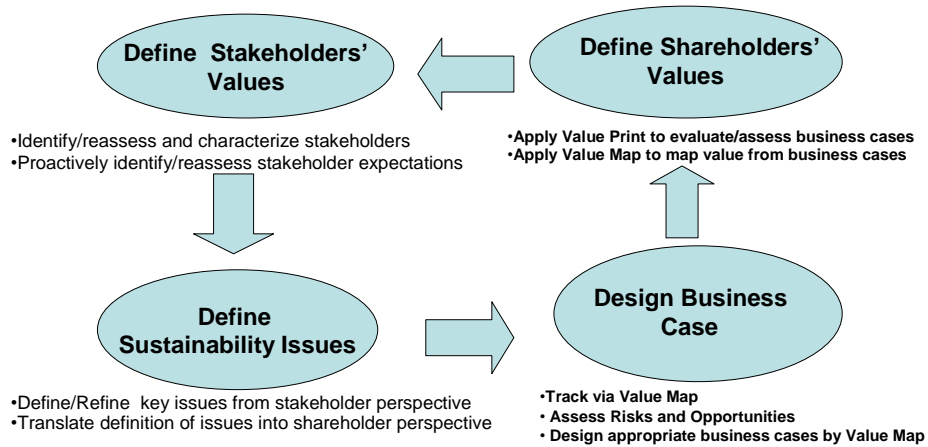
Role of Enterprise for corporate sustainability

Managers need to directly link enterprise sustainability to:

- The creation of shareholder value.
- Define the stakeholders , share holders value, sustainability issues
- The global challenges viewed through the appropriate set of business lenses
- Practices and contribute to a more sustainable world
- Simultaneously, derive shareholder value to define as the creation of sustainable value for the firm

Fig-7

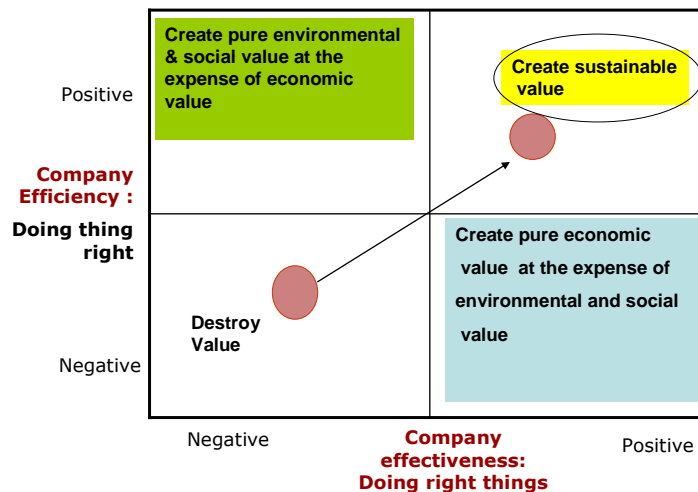
The Sustainability Value Methodology



(adopted from Deloitte Sustainability Value Methodology, Copenhagen, 28 June 2006

Fig-9

Profit with Goodness



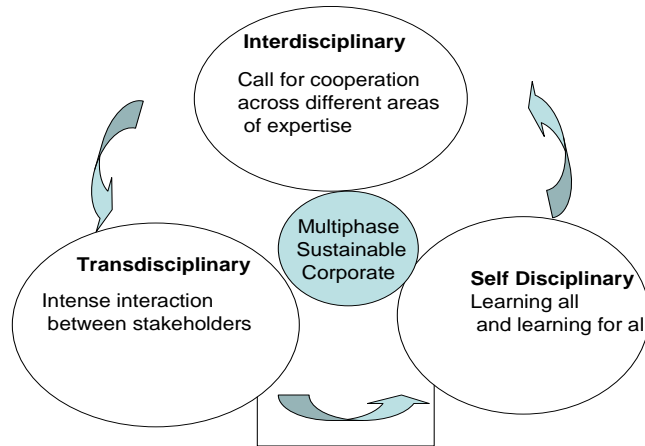
Our approach aims at maximizing the benefits of converging value drivers in order to create sustainable value for both shareholders and stakeholders

6. Multidimensional Model for Corporate Welfare

Corporate value requires performance on multiple dimensions because corporate sustainability is also a multidimensional challenge. Yet, most corporate and business

enterprises frame sustainability not as a multidimensional opportunity, but rather as a one-dimensional profit orientated organization. (Fig-10)

Fig-10



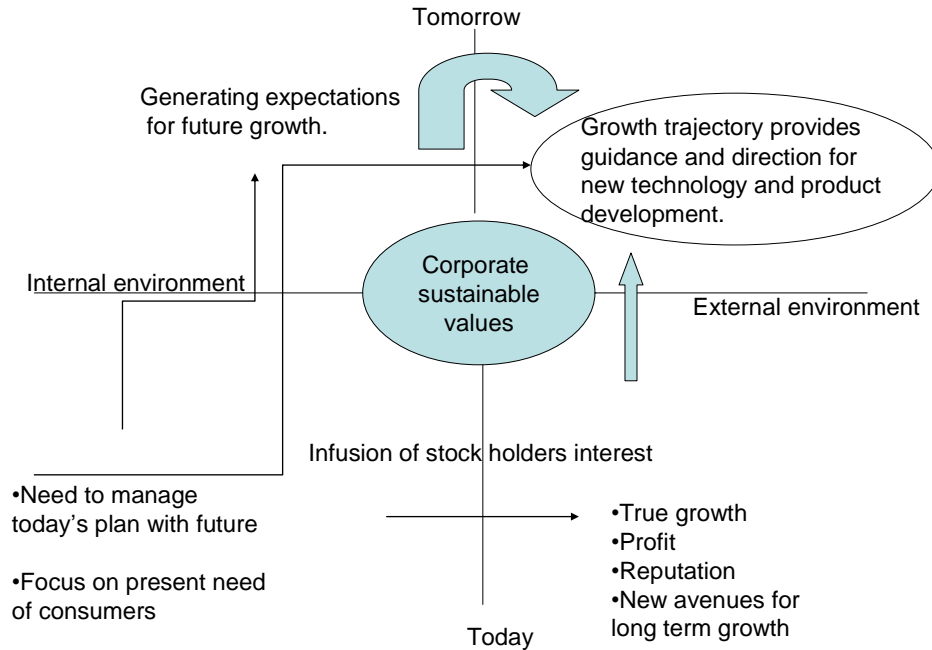
7. Proposed Framework for Corporate Sustainability

Companies must commit to exchange ideas and experiences to improve the efficiency and effectiveness of corporate environmental and sustainable development activities. High-level interaction with federal government is desired to promote public policy in recognition of corporate environmental excellence. For coordination in all quadrants corporate should assess and share knowledge on innovative practices with leading corporate sustainability practitioners for creating sustainable vision. Engage with and influence capital-market leaders to promote the concept share value that rewards environmental performance. Corporate leaders should develop business case on how sustainable-development leadership delivers tangible results for shareholders.

A corporate commitment to sustainability could be seizing business opportunities to develop products, services and processes which reduce environment footprints while increasing competitiveness.

Businesses corporate (both service and manufacturing) need to apply a strategic approach to sustainability and environmental performance which seeks to integrate environment performance and planning into core business activities.

Fig-11

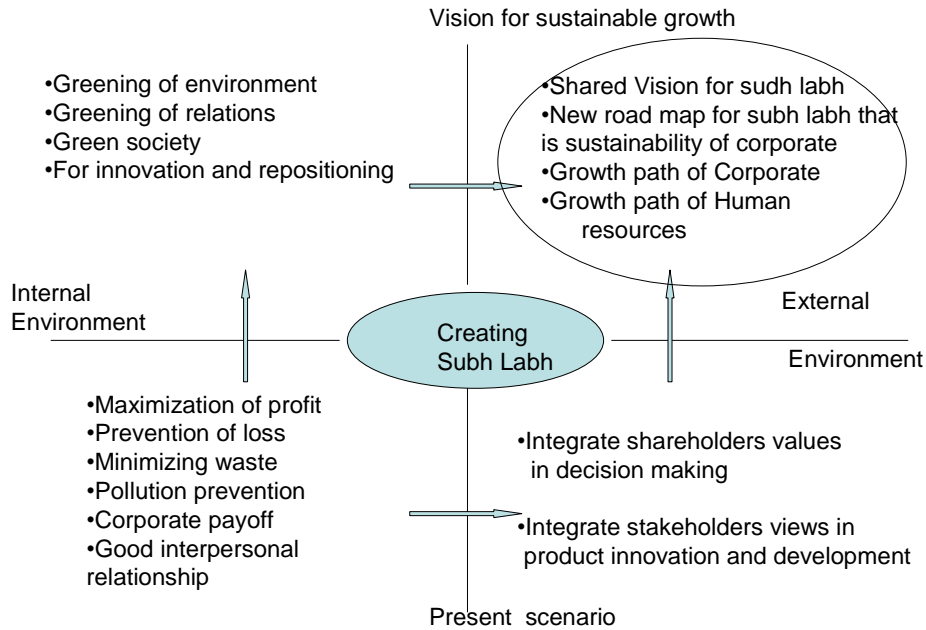


Sustainable corporate framework

8. Sustainable Corporate Subh–Labh Framework:-

Here we propose sustainable corporate subh labh framework. Corporate should work in both horizontal and vertical axis for creating short term and long term sustains growth. Working in present situation corporate can maximize profit by minimizing waste with good interpersonal relations. All Those factors supporting present working environment should be integrated with shareholders values and stakeholders views in product innovation and development. Considering long term growth of the organization, these factors with innovation and new technology should be infused for corporate SUDH LABH.

Fig -12



Sustainable Corporate Subh Labh Framework

8. Conclusion

Considering the above aspects of corporate sustainability, it becomes obvious that the corporate must significantly alter their attitudes in order to meet the challenge and bring about wholesome, balanced, sustainable development. The growing corporate and the established company both have to transform from squandering and mass production consumption to thrift and economy thereby saving natural resources and ensure ecological balance.

The sustainable-value framework for corporate welfare can be used as an important diagnostic tool-

- By assessing a company's activity in each of the four quadrants of the framework, managers can assess the degree of portfolio balance.
- Programs in waste minimization, product stewardship and human well being are required to institutionalization within corporate environment for achieving corporate sustainability in holistic way.

For Sustainability companies should work towards:-

- Encouragement of superior customer and employee loyalty
- Meet share holders demands for sound financial returns for long term economic growth.

- Seek to increase long term shareholder value by incorporating responsible economic, environmental and social behaviour into their business strategy.
- Invest in product and services innovations that use financial , natural and social resources in an efficient manner over long term

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