Managing for Sustainability

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Why to study MFS?

i) Independent & Rational thinking (establishment of the business)
ii) Recognize the problems in business
iii) General governance of the business
iv) Understand Ethics & Values in the business
Contents:

1. CSR
2. Business opportunities
3. Sustainable development
4. Various reports & standards
5. Corporate Governance
6. Corporate Ethics
1. Corporate Social Responsibility (CSR)

Concept: 1. CSR is about Giving back to the society
2. It is about business sustainability
3. It is about thriving in a competitive business environment

Definition: (Companies Act 2013)
*Projects or programs with reference to activities that are undertaken by the Board or specified in the Schedule to contribute to a better society and a greener and cleaner environment.*
Applicability of CSR:

1. Companies with a net worth of Rs. 500 crores or greater, or
2. Companies with a turnover of Rs. 1000 crores or greater, or
3. Companies with a net profit of Rs. 5 crores or greater.
Policy of CSR as per Companies Act 2013:

Spending 2% of its average net profit for the directly preceding 3 financial years
Activities permitted under CSR:

1. Eradicating extreme hunger and poverty
2. Promotion of education
3. Promoting gender equality and empowering women
4. Reducing child mortality
5. Improving maternal health
6. Combating HIV, malaria and other diseases
7. Ensuring environmental sustainability
8. Employment enhancing vocational skills, social business projects
9. Contribution to the Prime Minister’s National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development, and
10. Relief and funds for the welfare of the minorities and women and such other matters as may be prescribed.
CSR & Stakeholders:

Internal & External Stakeholders
Responsibility / Interest / Influence of stakeholders
Role of stakeholders (BoDs) in CSR

1. Approval of the CSR policy.
2. Ensuring its implementation.
3. Disclosure of the contents of CSR policies related to its report.
4. Placing the same on Company’s website.
5. Ensuring that statutory specified amount is spent by the company with reference to CSR activities.
6. It’s significant to note that there is no penalty if the particular amount is not spent on CSR activities. In such case, the board’s report must identify the reason for such short spending.
Benefits of CSR

- Winning new businesses
- Enhancing your influence in the industry
- Access to funding opportunities
- Media interest and good reputation
- Attracting, Retaining and Maintaining a happy workforce
- Enhanced Relationship with stakeholders
- Increasing customer retention
- Saving money on energy and operating cost
- Differentiating yourself from the competitor
- Enhanced Relationship with stakeholders
Business opportunities at the Bottom of Pyramid (World)

Income level per annum

- > Rs. 10 lacs
- Rs. 1 lac to 10 lacs
- Up to Rs. 1 lac

Population

- Tier 1: 20 Cr.
- Tier 2: 80 Cr.
- Tier 3: 500 Cr.
Pyramid for India

Population in Cr.
- 2 Cr.  
- 10 Cr.  
- 20 Cr.  
- 35 Cr.  
- 65 Cr.  

Annual income in Rs.
- > 5 lakhs
- 3 to 5 lakhs
- 1 to 3 lakhs
- 50K to 1 lakh
- less than 50K
Social and Environmental issues/problems and opportunities
Effect of Socio-Economic problems on opportunities?
Unit 2
Sustainable Development
Sustainable Development

- Concept
- Definition
- Need
- Importance
- Philosophical development
- Gandhian Thought on SD
- SD & Social framework

equitable distribution
diff. between SD & Green Develop.
criticism
Sustainable Development

• Definition: Development that meets the needs and aspirations of the current generation without compromising the ability to meet those of future generations.
Sustainability

• Major components:
  • Environmental
  • Economic
  • Social
Environmental Sustainability

• Reduce, Reuse, Recycle
  • Developing countries are really GOOD at this!
  • Is this enough in rural area?
  • Is this a luxury in rural area?

• Eco-efficiency
  • Being “less bad”
Economic Sustainability

• Who is paying for your product?
  • User
  • NGO
  • Government

• Will they keep paying?
• Why?
• What is the value your product brings?
Appropriate Technology

- Economically sustainable
  - uses readily available labor
  - avoids using scarce capital
  - avoids work stoppages associated with importing spare parts, foreign experts
  - Large factories in developing countries often run below capacity
  - Scalable on village level and village to village (consider issues of poor transportation and communication)
Social Sustainability

• Does your product fit into its social context?
• Are there people with the level of skill needed to repair/maintain your product?
• Does your product make people’s lives better?
• Does any part of making/using/disposing of your product harm people?
Appropriate Technology

• Socially sustainable
  • semi-skilled labor jobs
  • employs available skills, teaches new ones
  • fits into social context
  • familiar
Gandhian thought on sustainable development
Gandhian thought

• Simple living but high thinking
• Mother earth has all resources for everyone’s need but nothing for greed.
• Greed gives rise to corruption. Power gives rise to violence.
• Consumerism puts heavy burdens on resources.
• Equal distribution of resources
• Everybody equally pay for development
• Make self-sustainable villages.
• Inclusive growth of the society.
• Non-violence, Satyagraha & Peace.
Stakeholder Impact

- Power of stakeholders in making business sustainable
- Reducing socio-environmental costs
- Managing the revenue resources thru stakeholders
Sustainable development Vs. Green Development

- Development not at the cost of nature / health
- Concept of sustainable development coined in 80’s on the basis of three pillars: Economy, Environment and Society
- Green development do not consider Society
An inclusive green economy that can reduce poverty and inequality and sustain inclusive growth.
Assignment # 1

1. Explain the significance of CSR activities in the present business scenario.
2. Discuss the issues and opportunities for business in socially and environmentally sensitive world.

Assignment # 2

1. Is the concept of sustainability a myth or reality – Discuss.
2. Explain Gandhian thought on sustainable development.
Unit 3

3 dimensions of SD

1) Environmental
2) Economic
3) Social
1. Environmental:

• Atmosphere,
• Water resources,
• Land resources,
• Energy management
• Food management
• Waste management,
• Carbon credits, etc.
2. Economic:

- Economic opportunity,
- Degradation of environment &
- Economic growth
3. Social:

- Peace,
- Security,
- Social justice,
- Poverty,
- Human &
- Nature
Indian & Global Perspective to SD

- Economic growth
- Employment generation
- CSR
- Green development
- Renewable energy
- Low carbon emission
Sustainability Reporting

Triple Bottom Line report

Social (People)

Economical (Profit)

Environmental (Planet)

CSR
Contents of sustainability report

• CSR report
• ESG (Environmental, Social & Governance) report
• Social and Environmental reports
Social Accountability Standards

• ISO 1-99 (Production industry), ISO 100-199 (Paint industry), ISO 200-999 (Tests & processes) ISO 1000-4999 (various industries), ISO 5000-8999, ISO 9000-9999 (Quality standards), ISO 10000-10999 (Customer satisfaction), ISO 11000-12999, ISO 13000-13999 (Six sigma), ISO 14000-14999 (Environment mgmt. system), ISO 15000-15999 (Electronics), ISO 16000-16999 (Documentation), ISO 17000-17999 (Conformity Assessment), ISO 18000-18999 (IT), ISO 19000-19999 (Medical devices), ISO 20000-20999 (IT Services), ISO 21000-21999 (IT Multimedia), ISO 22000-22999 (Food Safety), ISO 23000-23999 (IT MPEG), ISO 24000-24999 (Public transport), ISO 25000-25999 (Software), ISO 26000-26999 (Social responsibility), ISO 27000-27999 (IT security), ISO 29000-29999 (Petroleum security), ISO 30000-39999 (Ship recycling), ISO 40000-49999 (IT), ISO 50000-59999 (Energy mgmt. system), ........ 99999 (Mostly for IT)

• ISO 26000:2010 (Launched in 2010)

To assess & address the SOCIAL RESPONSIBILITIES mentioned in their
• mission & vision;
• operations & processes;
• all stakeholders and
• environmental impact.
ISO 26000:2010

• Guidelines to all organizations on social responsibility
• Not a mgmt. system certification.
• Intended for guidance only
• Annual reports are necessary on
  • Environmental impact assessment
  • Social impact assessment
  • (Social) Life cycle analysis
Unit 4

4.1 Corporate Governance

• Meaning: A system of rules, practices and processes by which a company is directed and controlled.

• It involves balancing Interest of all stakeholders of the business.
OECD principles:

- Organization of Economic Cooperation and Development (1999)
- Six OECD principles (updated in 2015):
  1. Ensuring the basis of an effective corporate governance framework
  2. The rights & equitable treatment of shareholders and key ownership functions
  3. Institutional investors, stock markets & other intermediaries
  4. The role of shareholders in corporate governance
  5. Disclosure & Transparency
  6. The responsibilities of the board
Difference between Governance & Management

Governance refers to decision-making related to

- strategic direction,
- financial planning
- Core policies as per vision & mission of the organization
- Set bylaws framework for organization
- Provides guidelines for management
Need of good governance

• Long sustainability of business
Consequences of poor governance

- Business failure
- Brand failure
- Loss of name, net worth
- Loss of jobs
- Criminal offence
Assignment #3

1. Describe the 3 dimensions of sustainable development

2. Write short notes:
   • Life cycle analysis of sustainable development
   • Elements of ISO-26000
   • ECO tracking

Assignment #4

1. Define the concept of corporate governance. Explain the consequences of poor corporate governance.

2. What are the best practices of governance by NGOs & charitable trusts?
THE ETHICAL VALUE SYSTEM:

- **UNIVERSALISM**: Some ideas have universal applications irrespective of culture, race, gender, religion, nationality. Spiritual, Philosophical term.

- **UTILITARIANISM**: The doctrine that action is right in so far as it promotes happiness and that the greatest happiness of the greatest number should be the guiding principle of conduct.
  - Produce for masses, so that, utilization will be overall.
  - Act to promote the greatest happiness for the masses.
  - It improves morality of the people.
  - Highlights common sense belief about ethical behaviour.
DISTRIBUTIVE JUSTICE:
- All are equal in front of law. No classes, only masses.
- Justice at right time
- Income, wealth, opportunities are to be distributed equally.

SOCIAL CONTRACTS:
- Relationship between the citizens & the laws of the country

INDIVIDUAL FREEDOM OF CHOICE:
- Choice of products as per status
- Produce range of products for wider choice

PROFESSIONAL CODE:
- Respect worth & dignity of every person
- Pursuit of truth
- Devotion to excellence
- Acquisition of knowledge
- Nurturing of democratic citizenship
Values:

- Importance: Values help us behave properly and develop
  - Decisions are affected by our values & beliefs
  - Gives satisfaction

- Sources of value system:
  - family, friends, neighbourhood, school,
  - the mass print and visual media and other sources within society

- Values across cultures: values bring conflict between different communities or societies or sometimes between different persons.
Types of values

1. Individual: honesty, loyalty, etc.
2. Collective: equality, justice, etc.
Functions of values:

1. Values play an important role in the integration and fulfilment of man’s basic impulses and desires in a stable and consistent manner appropriate for his living.
2. They are generic experiences in social action made up of both individual and social responses and attitudes.
3. They build up societies, integrate social relations.
4. They mould the ideal dimensions of personality and range and depth of culture.
5. They influence people’s behaviour and serve as criteria for evaluating the actions of others.
6. They have a great role to play in the conduct of social life.
7. They help in creating norms to guide day-to-day behaviour.
Indian Values and Ethics:

- Respect for Elders,
- Hierarchy and Status,
- Need for Security,
- Non – Violence,
- Cooperation,
- Simple Living high Thinking,
- Rights and Duties,
- Ethics in Work life,
- Holistic relationship between Man and Nature,
- Attitudes and Beliefs.
Business Ethics

**Def:** Business Ethics involves applying general ethical principles and standards to business activities, behaviour and decisions.

- **Nature:**
  - Firm for every business.
  - Change from business to business/culture

- **Characteristics:**
  - **Equitable:** The decision be just and equal.
  - **Right:** Morally correct and due.
  - **Good:** Which highest good for highest number of concerned people.
  - **Justice:** Justice is done to all and it should appear that justice is given to due.
  - **Proper:** That which is appropriate to the situation and generally acceptable.
  - **Fair:** Which is honest and due.
Need & Importance:
- Image
- Pride of best companies
- Part of society
- Costs
- Trust of employees

Ethical Practices in Management:
- Purpose – your personal vision
- Pride – your sense of satisfaction
- Patience – sometimes it’s a long road
- Persistence – standing your ground
- Perspective – be focused and clear
Ethical Values in different Cultures
Ethical values are based on strong culture.

Culture and Individual Ethics

Culture describes a collective way of life
It is the sum of attitudes, values, goals, and practices shared by individuals in a group, organization, or society.

Culture reflects the moral and ethical beliefs and standards that speak to how people should behave and interact with others.
Relationship between Law and Ethics

**Ethical** values and **legal** principles are usually closely related, but **ethical** obligations typically exceed **legal** duties.

Impact of Laws on Business Ethics

**Business** affected by **ethics**.

**Ethics impact** on **business** from different ways **law** mandates **ethical** conduct.
Ethics and Corporate Excellence

Code of Ethics in Business Houses:
- A **code of ethics** issued by a **business** is a particular kind of policy statement.
- An important distinction exists between law and **ethics**.
- Obeying the law is the minimum level of **ethical conduct** enforced in business.

Strategies of Organizational Culture Building:
- 1. Transparency
- 2. Time to disconnect
- 3. Empowerment and a sense of freedom
- 4. Physical space
- 5. Talking to customers and employees
- 6. Your organizational design
Organizational culture building
Organizational culture can also be developed thru...

- Total Quality
- Customer Care
- Care of the Employees as per Statutes
Assignment #5

1. What is the concept of Business Ethics? Explain the nature and needs of business ethics.

2. Write short notes:
   i) The ethical value system
   ii) Ethics & corporate excellence
   iii) Indian values & ethics
   iv) Impact of law on business ethics