

# **A Conceptual Study on Role of Business Ethics and Corporate Governance in the Growth of Organization**

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## **Abstract**

The main goal of any business worldwide has been shifted from greater productivity and profit maximization to sustainable development. If an organisation opt for long-term objectives, it must go for long-run sustainability. Organisational ethics is a wider topic which is crucial for any business success. Ethical behavior is an important element of sustainability. The word "sustainability" has come out, along with social responsibility and corporate governance, as important business situation today. This paper focuses on integration of ethical climate and culture in an organisation that influences ethical decision making and outcomes, which result into sustainable development. It is a challenge for the organisations to remain ethical to stakeholder under the uncertain situation. They are expected to benefit the society in large.

**Keywords:** *sustainable development; corporate governance; business ethics; corporate social responsibility; environmental factors.*

## **Introduction**

Any debate of sustainable business activity must be within the ambit of business ethics. Ethical practice is the axis around which the organisation need to establish its work area. Managers in organizations face ethical issues every day of their working lives. With the increasing globalization of businesses, there is a requirement to examine the vocabulary of business organizations to include sustainability, ethics, governance and corporate responsibility. Sustainability at the organisational level should be introduced for various reasons and ultimately it results in achieving the organisational mission, objectives, and goals.

In the present complex business scenario, Corporate Social Responsibility has become a milestone for the corporates operating all over the world. In fact, CSR becomes a frontier issue in the business domain to promote environmentally sustainable and socially equitable business operations.

In recent years, many corporate scandals came to light, for example- Satyam saga, which brings the focus on sustainable corporate governance. The topic of ethics in management is a crucial one with which managers today must be informed. This paper briefly describes the role of management ethics in organization which pave the way for management to become more serious into ethical matters.

## Corporate Governance

The concept of 'governance' has been formatted from the word 'gubernare', which means 'to rule or to direct, guide'[1]. Earlier the term was to be related to the exercise of power with acceptance of responsibility, by and accountability for running of kingdom. However, over the years the term assumed greater importance in wider sense and scope for business entities to corporate world. Corporate governance refers to the set of systems, principles and processes by which a company is governed. They provide the guidelines as to how the company can be directed or controlled such that it can fulfil its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term. As we have already seen in the past, some of the scandal were related to poor corporate governance or corporate failures resulting into billions of losses, and shattered the trust of thousands of investors.

India is emerging as one of the world's fastest growing economy and therefore a number of issues are popping up during the process of globalization of trade and commerce. There are structural changes in the economic frame work, financial markets, due to liberalization, decontrol and economic reforms by government.

## Business Ethics

According to Andrew Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed[2]." Moon and Bonny (2001) suggest that a number of changes within the world economy are causing many major business organisations to adopt more ethical practices[3]. Specifically, they suggest that technological innovation, globalisation, the importance of intangible assets, competition for talent and the growing use of economic networks are leading to changes towards more ethical practice. In these circumstances, they support an approach to business management that rely upon forging business relationships with key stakeholder groups.

## Corporate Social Responsibility

*"To enrich quality of life in the society we operate in we need to give back to the society manifolds than what we get from it"[4].*

Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. CSR means a business takes adequate steps to ensure there are positive social and environmental benefits related to the way the organization operates. CSR should be viewed separately from philanthropy.

Philanthropy is defined as promoting and attempting to bring about social change by majorly making generous financial contributions. CSR on the other hand goes beyond that. Corporate Social Responsibility is about making the core business functions of a company more sustainable. A CSR program does not only benefit the community, but also the business in form of improved morale, increased staff retention, status as an employer of choice, attracting new business, and differentiation from competitors.

## Sustainability and Sustainable Development

The concept of sustainable development originated with the Report of the World Commission on Environment and Development (WCED), Our Common Future (the Brundtland Report) of 1987 which defined sustainable development as "development which meets the needs of the present generation without compromising the ability of future generations to meet their own needs.[5]"

An in-depth look at the different religious teachings, medieval philosophies, and traditional beliefs as the major repositories of human knowledge besides modern science reveals that, aside from the variation in semantics, most of them contain a strong component of living in harmony with nature and with one another. This is the logical essence of what we, today, call sustainability[6].

### **Environment and Sustainable Development**

Economic growth often leads to increasing pressure on the environment. Since, industrialization stimulates economic growth, it will consequently result into more pollution and environmental degradation. The impact of globalization on environment needs to be continuously addressed by the corporates. In spite of the potential of globalization to economic convergence it paved for an increase in inequality resulting in increased environmental impacts such as climate change, protection of the ozone layer, biodiversity and desertification. However, International trade agreements and environmental agreements contain only a few provisions for harmonizing trade and environment trade and development. Recent writings and analysis have focused on the environmental impacts of the World Trade Organization (WTO). This body, along with other objectives aims to imbibe sustainable development of the environment among the member nations.

### **Conclusion**

At the end, we can conclude such as that although globalization is seen as a solution to providing GDP growth and increasing per capita income, all inevitably result into lack on the front of corporate governance. Ethical firms have a prestigious standing in the mind perspective of customers and brings loyalty base for them.

The growing situation of globalization also led governments and companies to realize the international and trans-boundary dimensions of environmental issues, which later led to recognize the concept of sustainable development. Corporate houses are taking major initiative to adhere to corporate responsibility through various eco-efficiency policies, green strategy and building a climate of integrity and excellence.

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