

The Ethical Corporation
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Lecture – 02
Ethical Corporation

Hello, we are now starting the lecture 2 of our module 1, where we are going to speak about Ethical Corporation particularly. The name of the course is ethical corporation and I told you in the previous module, that we will have more detail discussion on this topic of ethical corporation. So, that is what we are going to do today.

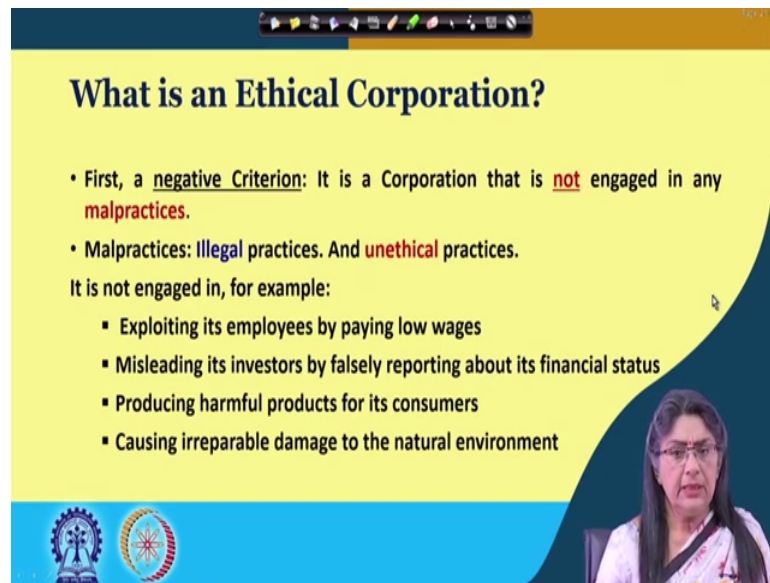
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So, the concepts that we are going to cover here today is as I said ethical corporation first of all. And then, because there will be related questions for example, how does an ethical corporation behave or what do you mean by ethical conduct of business, we will talk about that. And then these two I want to touch upon, because part of the answer of the second question will be obtained from discussion of these two paradigms.

The first paradigm is called sustainable development. I am sure you have heard about it, and the second one is stakeholder theory. So, this will be the plan the lecture plan for today.

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What is an Ethical Corporation?

- First, a negative Criterion: It is a Corporation that is **not** engaged in any **malpractices**.
- Malpractices: **Illegal** practices. And **unethical** practices.

It is not engaged in, for example:

- Exploiting its employees by paying low wages
- Misleading its investors by falsely reporting about its financial status
- Producing harmful products for its consumers
- Causing irreparable damage to the natural environment

Now, what is an ethical corporation? We have talked enough about, what a corporation is. So, what and how do we understand the ethical corporation? First of all I will start out with a negative criterion. You know it is said that sometimes, we can understand by eliminating what it is not. So, I will start out like this, I first I am going to say that, ethical corporation is that corporation that is not engaged in any malpractice.

So, where by malpractices I mean it can be illegal practices and unethical practices. So, we do not want an ethical corporation to engage either in this or in this. You will ask what is the difference between illegal and unethical for that matter what is the difference between ethics and law? I promise you that, I am going to take up that issue later on, when after we have some introduction to ethics then we can talk about what is the difference between ethics and law we will talk about that, but let us keep this distinction alive in our mind.

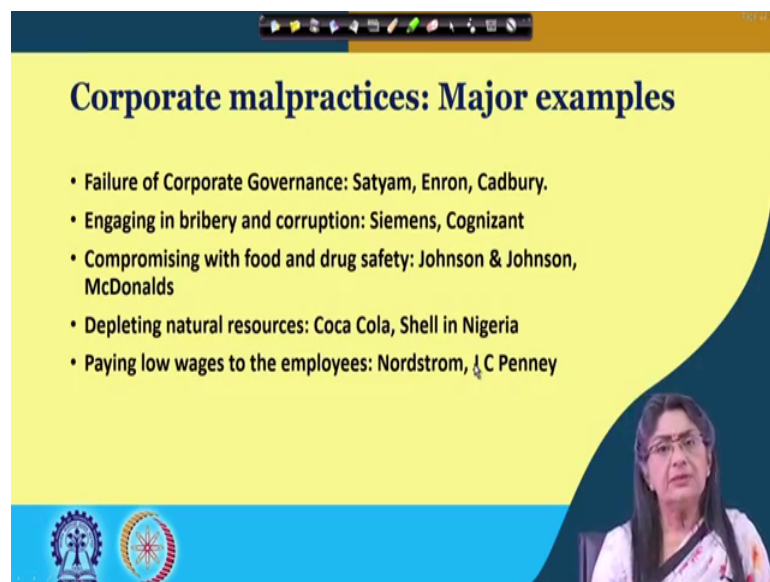
The examples are common as you can see, an ethical corporation for example, would not be engaged in say exploitation of its laborers, of its employees for example, by paying lower than the market wages. You must have heard about minimum wages, there is a law that the minimum wage must be given, but even after paying minimum wages, you can play with the wages or the salaries and make it kind of low not be fitting for the kind of work that is being done. And that there by the corporation can create some profit margin for itself, but that is a something that we do not want ethical corporation to be engaging

in, because its demeaning for the workers. So, we will talk about that, similarly you know, misleading the investors; misleading the investors you have taken money investment from certain group of people namely the stockholders, but you instead of reporting the actual financial status of the corporation to them, you are feeding them some wrong information about the financial status.

For example, you might call that the company is running very well and that, we are making grand profit, but actually you are not or for example, you know. So, that is a no for ethical corporation similarly that you are harming the consumers, than suspecting consumers by offering them some harmful products you are either adulterating for example, some food product or you are create or making some unsafe product such as unsafe cars, where families people will fly with their families and they are by risk their lives. So, that is not fair either.

So, these are and then creating environmental damage through business activities and causing irreparable damage something that cannot be altered. So, these are some examples of malpractices that we do not want ethical corporation to engage in.

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Corporate malpractices: Major examples

- Failure of Corporate Governance: Satyam, Enron, Cadbury.
- Engaging in bribery and corruption: Siemens, Cognizant
- Compromising with food and drug safety: Johnson & Johnson, McDonalds
- Depleting natural resources: Coca Cola, Shell in Nigeria
- Paying low wages to the employees: Nordstrom, C Penney

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Examples of such corporate malpractice in our world are plenty. I do not have to go through all of them, but you can clearly understand for example, if you are thinking about you know how a corporation may cheat or create a corporate fraud, then we have to mention some of the big corporate frauds of our times for example, Satyam Computer

and then Enron these are big companies big corporations that have cheated also their investors in a big way, find out about them, we when the time comes we will we will have try to talk about them in greater details.

Companies have been found to engage in bribery trying to bribe the government officials or officials of their partners and then corruption scandals; corruption scandals as in also engaging in bribery or some other money laundering and big corporations have been found to be involved in that. Food and drug safety have been major issues with some of the big corporations, we you understand that food is ingested. And if its a commercially produced food, then you simply place your trust on the company because you see the brand name and you think that they will not compromise with the quality, but it has been found that food industry has serious problems, and put corporations I mean corporations that deal with food that is their product also have been implicated in various sort of a scandals.

And then lately you must have heard about baby powder being laced with asbestos or some other harmful products. Similarly, you must have heard about you know what water being depleted by big corporations, water is a very precious natural resource. So, these are some examples; these are some examples of what we said the ethical corporation should not be engaged in.

So, what is an ethical corporation? Let us talk about that and first I will give you the negative criterion for that, you know sometimes we say that in order to know what it is, we have to understand what it is not. So, that is the negative criterion and for us I am starting out by saying that ethical corporation is a corporation that is not engaged in any kind of malpractices.

So, by malpractices I mean that they are not engaged in illegal practices, and also they are not engaged in unethical practices. So, there you are this might create some questions in your mind about you know what is the difference between illegality and unethicality, for that matter what is the difference between law and ethics. I promise that, I will take this up once we have gone through the introductory lecture on what is ethics, unless you know that, there is no point in saying how do you compare ethics with law, but we will talk about that issue. But overall what we mean is that, they are not ethical corporations are not going to be engaged in any of these kind of demeaning or questionable and ill

reputing activities such as this for example, you know paying the employees with low wages.

Now, you know about minimum wages; minimum wages there is a rule and or a law that you cannot be below the minimum wages it must be above the certain level, we are not talking about that. Even after complying with minimum wages you can still pay employees lower than the market rate. And that is where the business entity might make some profit, by paying less to the employees it can create some wealth for itself, but it is not fair for the employees and it may not be befitting for the kind of work that the employees are doing. So, there is a lot of ethical issues here, but we do not want the ethical corporation to engage in such practices.

Similarly, if you think about you know this producing harmful products for its consumers knowingly the businesses offering products or services that are risky for the consumers. It is easy to understand this point, if you think in terms of a food and beverage business. We ingest food and beverage commercially prepared placing our trust on those businesses and we think or we hope; that they are not going to compromise with the quality of their product, but typically the story is something else and we have enough evidences that often there are harmful products added as additives or as colors or as some other ingredient that could be very risky for the consumers.

So, overall then this is these are this would give you some examples of what we do not want to see the ethical corporation engaged in. Big examples of what we were earlier talking about will probably be on this slide. The names are big these are big corporations, but the issues are also big as you can see here, that for example, this is a well known case of where the corporation has cheated, its a big corporate fraud cases, where the investors have been simply cheated out of their rightful money.

Some of the examples we have mentioned Satyam, Enron if you look up if you read up on these cases you will find out, how the trusting investors have been fed with wrong information and then finally, they were simply told that the company has been bankrupt, they cannot return the investors money. I have just talked about the food and safety; food and drug safety related issues and I have used big names. And then these have also become an problem where corporations have been known to be engaged in environmental abuse. Water is a very precious natural resource and some big

corporations have been charged with you know depleting the resource, the local groundwater for example, depletion that is what was the allegation amongst against one of the big corporations.

So, these are corporate malpractices that are pointers that are the red flags, where we can say the corporation is not behaving ethically this is not an ethical corporation.

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What is an Ethical Corporation?

Positive Criteria:

- Most businesses are driven by financial success and profit. The Ethical Corporation is also driven by considerations about the society and the natural environment. People, Planet, Profit.
- Paradigm of Sustainable Development
- It is committed to joint value creation for all its stakeholders [Stakeholder Theory]
- A responsible Corporation which conducts itself ethically and responsibly.

*The underlined expressions are technical terms. They will be Discussed in subsequent lectures.

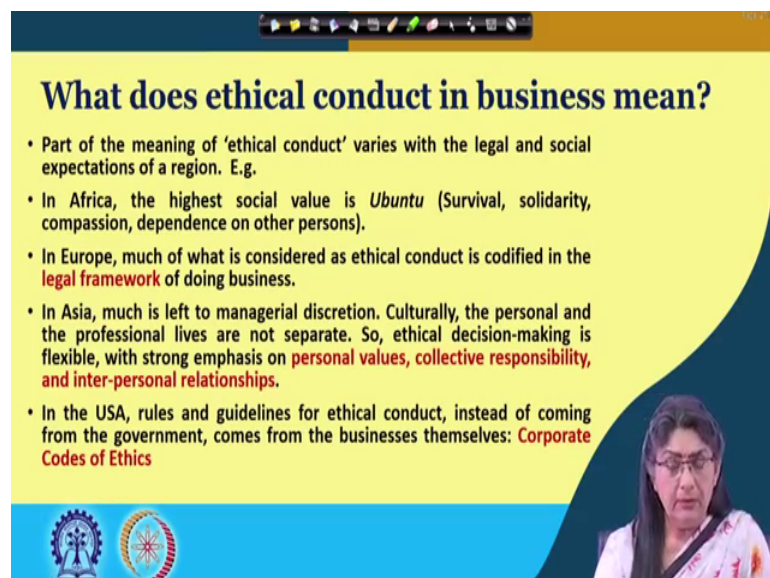
Now, if that was the negative criteria, then let us talk about the positive criteria. And here I am going to mention about three things; one is that as you know a business has to be profit oriented in the to remain solvent, it has to make profit. So, that is common among the businesses. And we do not want the ethical corporation to be a exception to that it also has to remain solvent, but the big difference here is that the ethical corporation along with the profit objective, it is also driven by other considerations, such as what for example, considerations about society.

How its products and services are affecting the society and also the natural environment. In the language of the triple bottom line this is known as the concerns for people that is your society, planet that is environment and profit, please note that the profit is included in that. Also with that, there is a big framework of a current paradigm a global paradigm that we use namely sustainable development. I will also say that the second point is that the ethical corporation will be known for its commitment to joint value creation for all its stakeholders; all its stakeholders.

So, its not going to create value only for itself or for its investors, but for all its stakeholders. And third the point is, that ethical corporation is a corporation that conducts itself ethically and responsibly. Now I have used many terms that you probably have many questions about and I fully understand that and that is why I have said it separately. That the underlined see here, see here, see here, the underlined expressions are technical terms.

So, we will take time to explain them and they will be discussed in the subsequent lectures two of them I will try to explain it today.

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What does ethical conduct in business mean?

- Part of the meaning of 'ethical conduct' varies with the legal and social expectations of a region. E.g.
- In Africa, the highest social value is *Ubuntu* (Survival, solidarity, compassion, dependence on other persons).
- In Europe, much of what is considered as ethical conduct is codified in the **legal framework** of doing business.
- In Asia, much is left to managerial discretion. Culturally, the personal and the professional lives are not separate. So, ethical decision-making is flexible, with strong emphasis on **personal values, collective responsibility, and inter-personal relationships**.
- In the USA, rules and guidelines for ethical conduct, instead of coming from the government, comes from the businesses themselves: **Corporate Codes of Ethics**

We take up now, the question of what does ethical conduct in business mean? Now I am going to answer that question in two parts; the first part is that part of this meaning will be created by the local culture, local legal regime and also the local social expectations. So, what we call the ethical conduct in business partly will be determined by the cultural values. And then the what kind of legal; what is the legal expectation from a business in a? Because you know the laws vary from region to region country to country. And then also the societal expectation, because our societies are not the same all over the world. So, these there will be some variances in our understanding of what exactly ethical conduct in business mean. I am just giving some example here.

For example in Africa, the highest social value is supposed to be the Ubuntu. So, individual pursuit of something, its not the paradigm; the paradigm is that you work with

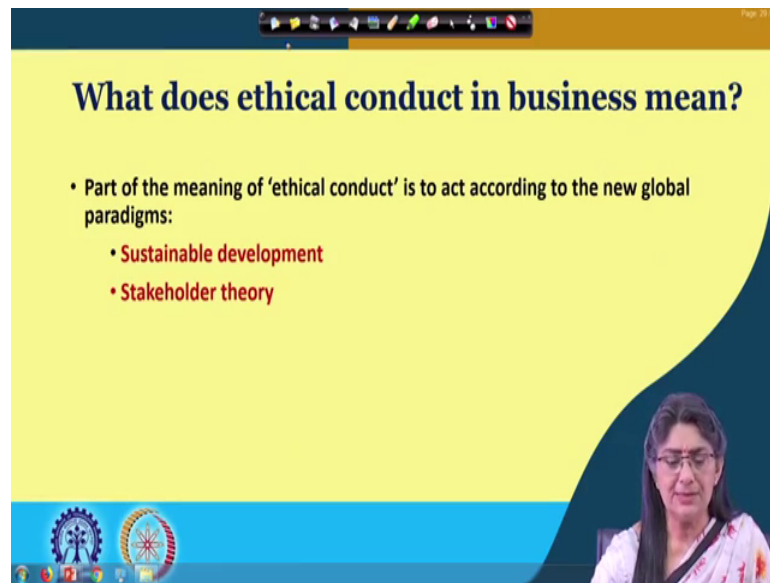
people in solidarity with others and you work as a group and the compassion, the kindness, solidarity these are the primary values. So, accordingly you will expect, how you want the business to behave in that region.

Similarly, if you look into Europe, then much of what is considered as ethical conduct in business; is actually codified in their laws. So, the its legally required that they should do many of those things. So, in that case what is ethical conduct would be first of all compliance of those laws plus something extra, if they want to be proactive in terms of their ethical practices. In Asia the laws are there, but their implementation may be lacks or there are no clear instructions at times. So, and culturally, we have a sort of more connected lives, so, professional and personal lives are not that separate.

So, lot of value considerations come from your family values, personal values, how you connect your network of people that you know and so on. So, managers need to find out, what is ethical conduct by falling back on what they understand as personal values or what they understand as collective responsibility and so on. On the other hand in the United States the businesses themselves decide and they clearly say these are the expected behavior from us. Where will you find them, these are the corporate codes of ethics or codes of conduct.

So, there are various ways to understand this question. What does ethical conduct in business mean? I said will differ part of it is going to differ, because of this local variances in expectations in values and in culture.

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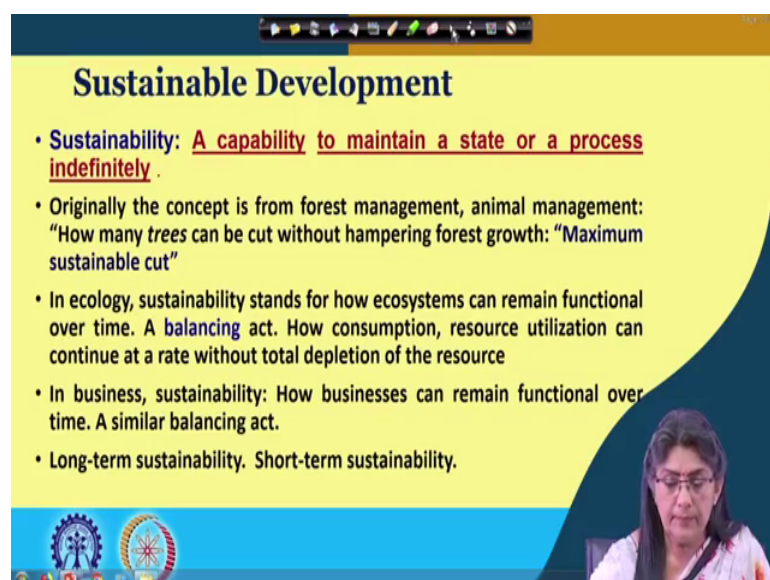
What does ethical conduct in business mean?

- Part of the meaning of 'ethical conduct' is to act according to the new global paradigms:
 - Sustainable development
 - Stakeholder theory

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On the other hand there is another part in understanding, what does ethical conduct in business mean? And that is created by some common global paradigms. I have mentioned here two of those important paradigms without which today's in the world of business conducting your business is going to be problematic. Specially, if you are a global player, those paradigms are as you can see, first one is s d or sustainable development, its a well known established framework and the other one is the stakeholder theory. Now, we will try to explain this today in brief, but as clearly as possible.

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Sustainable Development

- **Sustainability: A capability to maintain a state or a process indefinitely** .
- Originally the concept is from forest management, animal management: "How many *trees* can be cut without hampering forest growth: "Maximum sustainable cut"
- In ecology, sustainability stands for how ecosystems can remain functional over time. A **balancing** act. How consumption, resource utilization can continue at a rate without total depletion of the resource
- In business, sustainability: How businesses can remain functional over time. A similar balancing act.
- Long-term sustainability. Short-term sustainability.

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We will start with sustainable development. There is a close term sustainability, at least mind it that sustainability and sustainable development are not the same. They are linked, but they are not the same, so, we will try to understand it separately. First let us try to understand sustainability. What sustainability is, is a capability, a capability to maintain a state or a process indefinitely not infinitely. So, that is not the issue. Not even for a short time, but indefinitely, because you do not know how long you have to remain in that state, but and it takes a lot and they are planning to decide, how to maintain the status quo for indefinite period of time, that is what sustainability is.

Because you are going to consume resources in order to maintain your status quo or the current condition, but you also have to think about the future, because you want to remain in that state for indefinite period of time. Now originally this concept came from forest management, fisheries management, animal management and so on. For example, you can ask that, if you think about the forest, then time to time tree felling would be necessary, felling the tree means cutting the trees. Because otherwise there will be problem for the trees itself the forest is if it is overgrown its not good for the forest. And specially if you are using the forest as a natural resource, then you also have some need from the forest.

For example, you may need the fewer. For example, you may need the material for furniture and so on. But the question is if you need the trees and if the forest also needs the trees and only so many trees can grow in a forest, then how many trees can be cut in the forest without hampering the forest growth. So, there is a rate of growth in the forest, and there is a rate of cutting of the trees. And there has to be a balancing act otherwise the forest would soon become depleted, on the other hand if the rate is too low, then the forest is going to be overgrown. So, you have to find what is the maximum sustainable cut. This is where the ideas are generated, overall sustainability is a balancing concept, its a capability that requires balancing many complex considerations of this kind of sort.

Now, in ecology especially in environmental studies, you have the sustainability stands for how long. An ecosystem can remain functional over time ok. All of you have been through environmental studies. So, ecosystems you understand very well, it supports various kind of species, life forms and they have this intricate relationships among them, but overall ecosystems are limited pool. So, how long they can remain functional over time.

So, consumption would be required, resource utilization would be there, but it has to also be at a rate in which that must not exceed the capacity of the ecosystem. So, these are thoughts. Now in business terms the sustainability is about, how businesses can remain functional over period of time. A similar balancing act, you will have to consume, you will have to produce, you have to operate, you have to spend money and so on. So, there is depletion on your resources and your at the same time you want to remain in the race for indefinite period of time and that is known as the sustainability in business. There is distinction between long term sustainability and short term sustainability.

You can understand that somebody can think about, how to remain sustainable say only for 6 months or 1 month; that is easy. The challenging one is where you do not know how long you have to be, but its a long term project, its a future oriented project that you want to remain in the competition remain in the race, but overall this is the idea of sustainable sustainability.

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Sustainable Development (SD)

- Sustainability and Sustainable Development are **NOT** identical concepts.
- **Conventional development:** Only economic development. Increase consumption. Overlooks the environmental and social cost of such growth. Now considered as **unsustainable development**.
- SD is the a contrast, an alternative paradigm for development. Result of concept of sustainability used for development paradigms.
- **Sustainable Development:** Development that manages three **pillars** of development:
 - Economic
 - Environmental, and
 - Social

Now, from here, let me take you to sustainable development as I have told you sustainability and sustainable development these are not the same or the identical concepts they are linked. Sustainable development is an alternative to ordinary conventional development, development used to be taught in terms of economics only; only financial development.

So, if you can show the GDP rising high and if the consumption in the economy is growing, then you would call the societies developed at the countries developed. What was missing from that idea was any kind of thought given to environment or any kind of thought given to the society. Namely, economic development can happen at environmental cost; tremendous environmental cost as the story of china might tell you today. You can utilize the natural resources at a rate in order to grow financially, but the rip the damage to the environment is enormous and sometimes not really reversible. Similarly, there can be social cost lot of people are suffering because of this financial policies that are creating this a blindsided economic growth.

Now, this model of pure economic development is considered as unsustainable development. It cannot it can go for some time, but it is not sustainable for indefinite period of time. The system is going to collapse, that development is going to collapse, that is what people say. On the other hands sustainable development is based on the idea how to have a balancing act between three pillars, what are the three pillars? The economic development has to also look into the environmental concerns and also into the social considerations. So, it has to be a holistic sort of a development, not just one sided and these are the three pillars of sustainable development economic, environmental and social.

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What is Sustainable Development (SD)?

- Development that meets the **needs of the present** without compromising the ability of **future generations** to meet their own needs. [Brundtland Report, "Our Common Future", World Commission on Environment and Development, 1987]
- **Key ideas:**
 - Needs Vs Wants
 - Limited resource, limited carrying capacity of the ecosystems
 - Rights of Future generations to meet their own needs

Development has to deliver quality of life improvement staying within these constraints

- **Environment and Human Development are inseparably connected.**

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So, I will give you a definition of well known definition of sustainable development and that is this in 1987. The commission created by that the United Nations they came up the Brundtland Commission came up with this definition is. So, development that meets the needs of the present without compromising the ability of future generations to meet their own needs. First of all notice that they are talking about needs versus wants, needs are more basic wants are secondary.

So, you need food, shelter, water you may want a car and so on. So, non basic desires that would be wants. Second you can see that there is a parameter set here that the present generations have their needs very basic needs. You have to meet those, but for that you cannot compromise the ability of the future generations to meet their own needs. Who want the future generations? The generations who are yet to come. So, the progeny of the progeny of the progeny, you have to keep the world ready for them also, because they also will need to meet their own needs. All of this will have to be done within the carrying capacity of the ecosystems, remember that the ecosystems are finite. And they have only certain kind of carrying capacity for sustaining all the life forms that are dependent on them.

So, keeping all this mind first of all that there has to be the basic needs must be met and that ecosystems are finite. And that the future generations have equal rights to meet their needs just as we the present generation do. So, keeping all this mind there has to be development. A development cannot be just looking into one side of development, but it has to deliver quality of life improvement, keeping all this constraints in mind. The basic message of sustainable development is that, when you are thinking about development do not think in terms of economic only. Second when you thinking about human development you cannot leave out the natural environment are all out, because they are inseparably connected.

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Implications of SD for Ethical Corporation

- **New duties.**
- **Economic:** Mere economic sustainability means focus only on the economic performance of the corporation. That is not sustainable.
E.g.: (a) Not pay corporate taxes by fabricated accounting: It erodes social trust in the business. (b) Not care about depletion of certain resources as long as its usage is profitable. Not sustainable
- SD means a broader concept of economic sustainability, and its impact on society and environment.
- **Environmental:** Realization that all biosystems are finite, their capacity is finite. Must learn to address business-environment issues: (a) Impact of business activity on biodiversity; (b) Production of, and dumping of pollutants into the natural environment, e.g. waterbodies, air. Such growth is not sustainable.

What is the implication of the sustainable development for ethical corporation? We have to say that what it does it creates new duties for a corporation new duties. Apart from its already known duties other duties come in for example, you might say the economic duty; the economic duty if you will narrowly understand it, then it is basically that I just perform for myself as a corporation and I try to return the value to the investors that is it. But we are saying that is no longer sustainable.

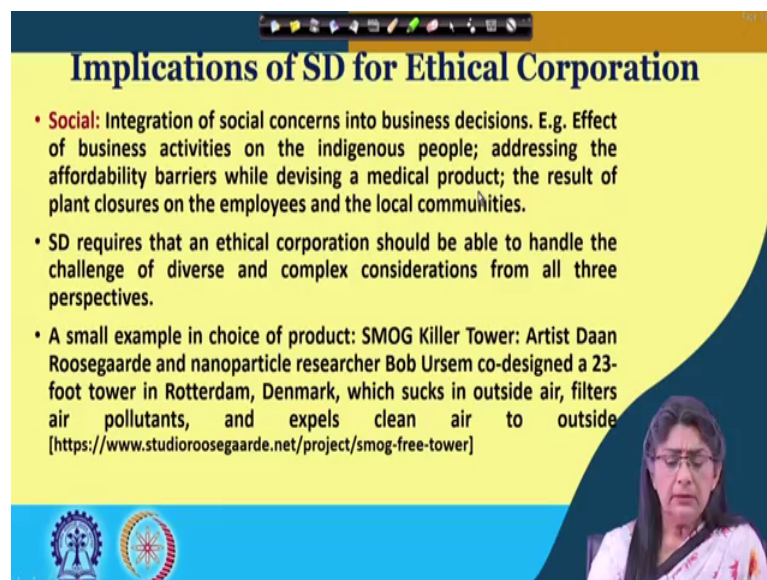
Because you can maintain your economy or you can improve your economic performance in different ways. For example, you may choose not to pay the corporate taxes. And you can do that with the help of your accounting group, you can create data creatively and fabricate basically the accounting data. And therefore, you can show that you do not need to pay the corporate taxes you are running into losses etcetera. What does it do for the society, if you stop you are a big corporation and you do not pay corporate taxes; the tax money is supposed to go for various social sector schemes.

So, you are not giving back anything to the society, but you are enjoying the profit and all the value that you have created by yourself. How long do you think society is going to allow that? In general it erodes social trust in that kind of business. Take another example, you know if you are the kind of corporation which who are doing business with natural resources and you think that you know as long as the usage is profitable I will just keep continue to extract that natural resource and make money out of that. And not care at all about conservation or any other environmental duties.

You can do that for some time, but how long you can do that very soon this is going to be depleted. The very resource that you are doing your business on is going to be depleted. So, it is not a sustainable one. So, in that case what would the sustainable development mean in terms of economic duty, that you need to think in a different way. Your economic performance will have to be now added with considerations for also the social and the environmental pillar.

If you think about environmental then you can understand that the various business environment issues, can really have adverse impact on environment and society. And not doing that not engaging in that or thinking in a different sort of way is, what would be the required from a sustainable development sensitive ethical corporation.

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Implications of SD for Ethical Corporation

- **Social:** Integration of social concerns into business decisions. E.g. Effect of business activities on the indigenous people; addressing the affordability barriers while devising a medical product; the result of plant closures on the employees and the local communities.
- SD requires that an ethical corporation should be able to handle the challenge of diverse and complex considerations from all three perspectives.
- A small example in choice of product: SMOG Killer Tower: Artist Daan Roosegaarde and nanoparticle researcher Bob Ursem co-designed a 23-foot tower in Rotterdam, Denmark, which sucks in outside air, filters air pollutants, and expels clean air to outside [<https://www.studioroosegaarde.net/project/smog-free-tower>]

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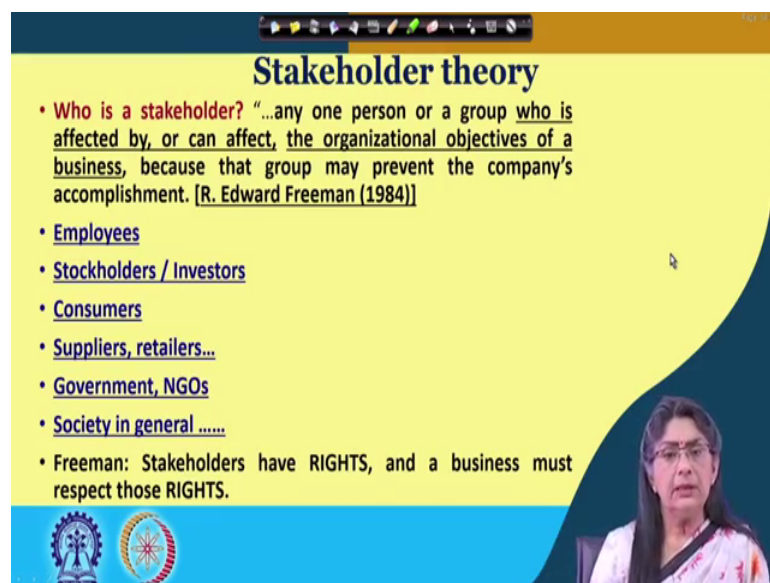
Social, concerns bringing social concerns into business decisions, I mean the economic activities there, you are caring for the environment, but you do not want to know or you are not careful about the effect on say the local people the who might be there. In that case this is a unsustainable activity or you are trying to develop a medical product, which is going to be life saving medicine for example, but you are not thinking about affordability barriers.

That many people may feel about that they also need, but they do not think in terms of, they cannot afford your medicine. What would be the sustainable development related social socially oriented business decision in that case to have an affordable option for the

life saving medicine that you have. That might require a little bit more investment from you in terms of R and D research and development, but that is what the sustainable development requires.

I have given here, a small example of what is known as the smog killer tower. You may yourself look into this kind of creation, which is environmental friendly, it is pro social and also, it is a product that they have come up with. There are many such examples, but we will talk about that another time.

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Stakeholder theory

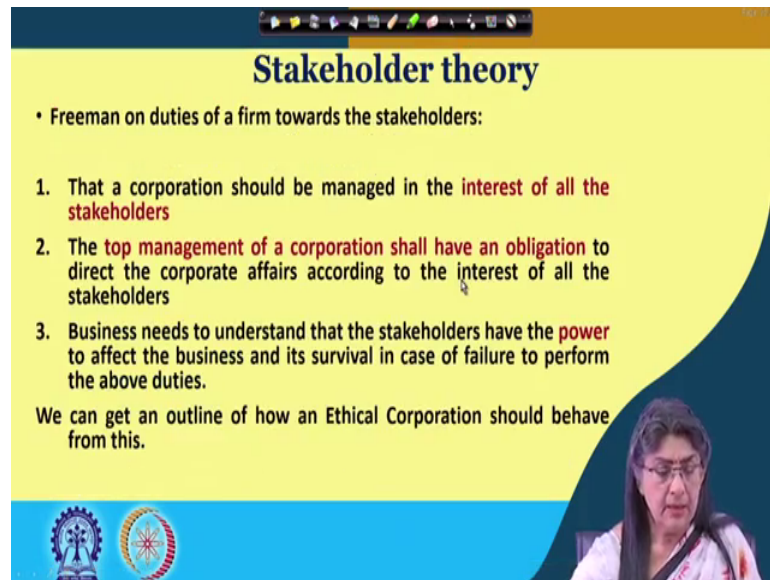
- **Who is a stakeholder?** "...any one person or a group who is affected by, or can affect, the organizational objectives of a business, because that group may prevent the company's accomplishment. [R. Edward Freeman (1984)]
- Employees
- Stockholders / Investors
- Consumers
- Suppliers, retailers...
- Government, NGOs
- Society in general
- Freeman: Stakeholders have RIGHTS, and a business must respect those RIGHTS.

The other one that I thought; I will touch upon is about stakeholder theory. Stakeholders are defined by freeman in this way that its any person or a group, who is affected by or can affect the organizational objectives of a business, the because that group may prevent the company's accomplishment. So, this is the definition of stakeholder.

Now, what we have to look for, who are these persons or groups, who can be affected by business activities or businesses objectives or who can affect it goes both directions? And I have given some examples here. These are your stakeholder groups employees can they affect the business, are they affected by business the answer is in both cases is yes. What you do in business effect the employees; employees can also affect the performance and the objective of the business.

Similarly, if you go by each of these groups, you will see that they are what would fit into the definition of a stakeholder. Now freemen who propose this stakeholder theory said that stakeholders have rights and a business must respect those rights.

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Stakeholder theory

- Freeman on duties of a firm towards the stakeholders:


1. That a corporation should be managed in the **interest of all the stakeholders**
2. The **top management of a corporation shall have an obligation to direct the corporate affairs according to the interest of all the stakeholders**
3. Business needs to understand that the stakeholders have the **power to affect the business and its survival in case of failure to perform the above duties.**

We can get an outline of how an Ethical Corporation should behave from this.

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What are some of the duties towards the stakeholders, that first of all the corporation should be managed in the interest of all the stakeholders.

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Implications of Stakeholder theory for Ethical Corporation

- An Ethical Corporation has many kinds of duties towards its many kinds of stakeholders: Fiduciary duties to its Investors, and many non-fiduciary duties to other stakeholders. E.g. : (a) **Not to harm the consumers by its product or services, (b) to treat its employees with due dignity and care.**
- An Ethical Corporation must be aware of, and responsive to the demands of its stakeholders. It must develop "stakeholder management capability": Dialogue, communication, negotiation, collaboration, interaction. E.g.: **Handling a consumer complaint.**
- A new role for the management of an Ethical Corporation: Instead of being the agents of the shareholders, they must learn to address the right and interests of all the stakeholders.

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So, not just one particular group or a selected group, but for all stakeholders. And the top management should look into it, take it as their duty to run the corporation for the

interest of all the stakeholders. And business also has to understand, this two way relationship that the stakeholders have something called power to effect. And its long term survival depends on the cooperation of the stakeholders.

So, if there is failure to perform the above duties, the survival of the business might be at stake. Now from all these three, we get an outline of how an ethical corporation should behave. So, the paradigm of stakeholder, the paradigm of sustainable development gives us some sort of an idea about what does conduct of ethical corporation or ethic doing business ethically would mean and that is what I wanted to say in this lecture module.

Now, if you particularly are interested in the stakeholder theory and its implication for ethical corporation, then let me just spell it out more clearly that what it shows. The stakeholder theory for example, has brought into clearly in the foreground, that there are many stakeholders and therefore, an ethical corporation will have many kinds of duties towards this stakeholder. For example, for its investors it may have the financial duties, the fiduciary duties to return value for the money invested, but there may be many non financial duties to the other stakeholders. For examples, as you know we have talked about consumers as stakeholders there are duties and those are not exactly financial duties. There are duties towards its employees and those are also not financial duties.

Similarly, there is a very important point that the organization must develop a certain capability to be responsive to the demands of the stakeholders. Now this capability does not come on its own, you have to cultivate it. The organization has to be willing to cultivate it this capability. And some of the mechanisms through which it can be responsive to the demands of the stakeholders would be holding a dialogue, open communication, negotiation, sometimes collaborating with the stakeholders and clearly interacting with the stakeholders in order to understand their demands in order to address their demands and so on. I have given a small example here; you know handling a consumer complaint.

A proper handling, you know there are more than one ways to handle a consumer complaint as you know. So, but if you are oriented towards the stakeholders, if the stakeholder theory has some meaning for you, then you would find out not only listening to the consumer complaint, but how to address it properly how to have a proper communication with the stakeholder and seeing the issue from the consumers perspective

etcetera etcetera all these things would be built into that. It also spells out a new role for the management, because a management sometimes thinks that their only job is to create value for the investor group, but they need to understand that they are there for all the stakeholders.

So, these are some of the implications of the paradigms that we have talked about and this where we will close this lecture module.

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What we have discussed in short is, what is an ethical corporation? Today at least I have given you a negative and a positive criteria. And what does ethical conduct of business mean, I have tried to tell you part of it is built by the expectations a local variances will be there, but then there are some global expectations by through the paradigms. And those paradigms were discussed today a sustainable development and stakeholder theory. So, with that I will conclude this module.

Thank you very much.