



Responsible Business Governance

The Emerging corporate Success Mantra



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The Perspective

The balance of pursuing market opportunities while maintaining accountability and ethical integrity has proved a defining challenge for business enterprise since the arrival of the joint-stock company in the early years of industrialism. The manifest failures of corporate governance and business ethics in the global financial crisis has increased the urgency of the search for a better ethical and responsible framework and governance for business.

What is Responsible Business?

There's no consensus for defining responsible business practices. The term, however, often refers to the practice of conducting business with consideration for ethical, environmental and community goals in addition to being a good employer and attempting to make a profit. Responsible Business Governance refers to corporate policies and practices that enhance the competitive advantage and profitability of the company while simultaneously advancing social and economic conditions in the communities in which it sells and operates. Simply put, responsible business is the practice of creating customer value through the active concern for people, ethics, equity, and environmental impacts while running a profitable business. The Quintuple Bottom Line (QBL) of Responsible Business is described by the words Profit, People, Planet, Ethics, and Equity (Triple 'P', double 'E').

Responsible business derives its roots from the concept of the stakeholder approach. The stakeholder approach looks at the societal entities which a business effects through its activities but also upon which it depends. These stakeholders include, in addition to the stockholders as owners and primary beneficiaries, the employees, customers, the community in which the business operates and nature at large. The concept of responsible business takes into account the impacts of the business on all these constituent stakeholders by focusing the business on the QBL.

Shared value is not corporate social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success. The responsible business concept goes beyond the shared value concept by explicitly bringing in values and the concern for process equity in order to serve the stakeholders of the business. A responsible business, thus, alludes to or expresses its values in its purpose for being in business. Moreover, out of its purpose springs its method of operating by the principles of the quintuple bottom line.

Why use responsible business practices?

Companies employ responsible business practices for a variety of reasons. Some believe it helps attract and retain employees. Others say it helps improve customer sales and loyalty. Also, it helps safeguard a company's corporate reputation and strengthen its community relations. On a more practical side, adopting environmentally responsible practices can help reduce energy and water consumption, and thereby reduce the cost of doing business. Socially Responsible Business Practices are discretionary business practices that a corporation adopts and conducts to support social causes, to improve community well-being, and/or to protect the environment.

Responsible Business - Positive outcomes

1. **Company benefits:** Improved financial performance, Lower operating costs, Enhanced brand image and reputation, increased sales and customer loyalty, Greater productivity and quality, Greater ability to attract and retain employees, reduced regulatory oversight, Access to capital, Workforce diversity, Product safety and decreased liability.
2. **Benefits to the community and the public:** Charitable contributions, Employee volunteer programs, corporate involvement in community education, employment, and homelessness programs, Product safety and quality.
3. **Environmental benefits:** Greater material recyclability, better product durability and functionality, Greater use of renewable resources, Integration of environmental management tools into business plans, including life-cycle assessment and costing, environmental management standards, and ecolabelling.

Principles of Responsible Business Governance

The principles are rooted in three ethical foundations for responsible business namely.

- Responsible stewardship;
 - Living and working for mutual advantage;
 - Respect and protection of human dignity.
1. **Respect Stakeholders beyond Shareholders** - A responsible business acknowledges its duty to contribute value to society through the wealth and employment it creates and the products and services it provides to consumers.
 - A responsible business maintains its economic health and viability not just for shareholders, but also for other

stakeholders. • A responsible business respects the interests of, and acts with honesty and fairness towards, its customers, employees, suppliers, competitors, and the broader community.

2. **Contribute to Economic, Social and Environmental Development** - A responsible business recognizes that business cannot sustainably prosper in societies that are failing or lacking in economic development. • A responsible business therefore contributes to the economic, social and environmental development of the communities in which it operates, in order to sustain its essential 'operating' capital - financial, social, environmental, and all forms of goodwill. • A responsible business enhances society through effective and prudent use of resources, free and fair competition, and innovation in technology and business practices.
3. **Respect the letter and spirit of law** - A responsible business recognizes that some business behaviors, although legal, can nevertheless have adverse consequences for stakeholders. • A responsible business therefore adheres to the spirit and intent behind the law, as well as the letter of the law, which requires conduct that goes beyond minimum legal obligations. • A responsible business always operates with candor, truthfulness, and transparency, and keeps its promises.
4. **Respect Rules and Conventions** - A responsible business respects the local cultures and traditions in the communities in which it operates, consistent with fundamental principles of fairness and equality. • A responsible business, everywhere it operates, respects all applicable national and international laws, regulations and conventions, while trading fairly and competitively.
5. **Support Responsible Globalization** - A responsible business, as a participant in the global marketplace, supports open and fair multilateral trade. • A responsible business supports reform of domestic rules and regulations where they unreasonably hinder global commerce.
6. **Respect the Environment** - A responsible business protects and, where possible, improves the environment, and avoids wasteful use of resources. • A responsible business ensures that its operations comply with best environmental management practices consistent with meeting the needs of today without compromising the needs of future generations.
7. **Avoid illicit activities** - A responsible business does not participate in, or condone, corrupt practices, bribery, money laundering, or other illicit activities. • A responsible business does not participate in or facilitate transactions linked to or supporting terrorist activities, drug trafficking or any other illicit activity. • A responsible business actively supports the reduction and prevention of all such illegal and illicit activities (© Caux Round Table 2009)

Conclusion

The Covid-19 lockdown has had a significant impact on the way that we operate, highlighting positive changes we can all make in future. The coronavirus (COVID-19) pandemic has created major disruptions in the economy and the life of businesses. These disruptions are creating a wide range of impacts on companies and many of them are struggling financially. The COVID-19 crisis has also exposed major vulnerabilities in company operations and supply chains linked to conditions of work and disaster preparedness. Governments have taken extraordinary steps to try and contain the epidemic. A responsible business conduct (RBC) approach to the COVID-19 crisis response is particularly important to identify, mitigate and address adverse impacts and will help ensure that the environmental, social and other governance issues are central in the design and implementation of both government and business responses.

The effective integration of corporate social and environmental responsibilities could potentially release greater value for both shareholders and wider stakeholders: moving beyond compliance, to creating new value through new products and services that meet societal needs; and collaborating to solve the complex and demanding social and environmental problems that threaten to grow beyond our control. This would provide a more vital context in which people would have greater opportunity to exercise moral values and ethical commitments. However, corporations capable of working in investors', stakeholders', and society's interests in a collaborative, creative and productive way would require a further fundamental redesign of the concept of the corporation and the institution of the market. It is possible that confronting the dilemmas of social, economic, and ecological survival which governments, business and communities face, will force the rethinking of corporate objectives, structures, and activities that is necessary.

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