



A corporate model of sustainable business practices: An ethical perspective

Göran Svensson^{a,*}, Greg Wood^{b,1}, Michael Callaghan^{b,2}

^a Oslo School of Management, PO Box 1195, Sentrum, 0107 Oslo, Norway

^b Bowater School of Management and Marketing, Deakin University, PO Box 423, Warrnambool, Victoria 3280, Australia

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ABSTRACT

This paper considers contemporary business practice and its sustainable performance from the view of stakeholders and their perceived value. A company has responsibilities and commitments to many different internal and external stakeholders in the marketplace and society. This view underlines the need for organizations to, not only provide value, but do so in a sustainable and socially responsible manner. A model is developed based on five, separate but interconnected, elements. The model is iterative and acknowledges its elementary state, suggesting further development and refinement in the field of sustainable business practices from an ethical perspective.

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1. Introduction

A corporate model of sustainable business practices needs to contribute to the stakeholder value in a broader sense (Waddock, Bodwell, & Graves, 2002). Stakeholder value is a broad concept and implies that a company has responsibilities and commitments to many different internal and external stakeholders in the marketplace and society, not only to its investors and the owners of the company, but also to its employees, customers, suppliers, societies and the environment (Mathur & Kenyon, 1997). In fact, the planet Earth may be interpreted as representing a group of stakeholders consisting of the human, animal and vegetable kingdoms (Svensson, 2008).

The IPCC WGI Fourth Assessment Report (2007) is an inter-governmental UN-report and it describes: (i) human and natural drivers of climate change, (ii) observed climate change, (iii) climate processes and attribution, and (iv) estimates of projected future climate change (p. 2). This report supports implicitly the need for truly sustainable business practices in the marketplace and society—a field of research that so far has only to a minor extent penetrated previous business research. In fact, there is still no explicit link between research findings in natural sciences and current business research. Nevertheless, the scientific evidence regarding a progressive climate change is becoming an essential aspect that may influence the ongoing discourse across subject areas in business research. The evidence presented in the

mentioned UN-report provides useful knowledge and valuable foresight to different stakeholders that may stimulate the global sustainability and the local adaptability of business practices (Svensson, 2008). The dilemma is that current and future sustainable business practices will have to take place in an era where economic conditions are affected and confronted with a supposed and fearsome climate change (Stern, 2007).

Interestingly, the concern for sustainable business practices in the marketplace and society is far from a recent topic (e.g., Carson, 1962). It has been concluded that sustainable business practices and their development should meet the needs and requirements of the present without compromising the ability of future generations to meet their own needs (Brundtland, 1987). Business research is, to our knowledge, far from addressing the core needs and requirements as well as the multiple aspects of sustainable business practices.

Hart (1997) pinpoints the complexity of achieving a sustainable global economy. The dilemma is that current economic models assume continuous growth in the marketplace and society. Wood and Callaghan (2003) believe that this quest to continually increase corporate wealth is at the centre of our commercial traditions. Senior executives usually have their remuneration packages tied to increased corporate wealth and as such, they are personally affected by their company's tangible performance in the marketplace. In the U.S.A. recently, we have seen executives artificially inflate their corporate bottom lines (e.g., Enron) in an attempt to placate stock market pundits and scrutineers: individuals whose every word is voraciously consumed by investors. The true financial position of these companies has been masked by deception. Any performance less than that which was expected, places the company's future in a tenuous and perhaps even a precarious position. If one's company is given an assessment of potential poor performance by these 'gurus', at best it can mean

* Corresponding author. Tel.: +47 982 89 230.

E-mail addresses: goran.svensson@hh.se (G. Svensson), greg.wood@deakin.edu.au (G. Wood), michael.callaghan@deakin.edu.au (M. Callaghan).

¹ Tel.: +61 3 5563 3538; fax: +61 3 5563 3320.

² Tel.: +61 3 5563 3522; fax: +61 3 5563 3320.

stock price instability and at worst a run to sell off the stock. The structure of 'the system' leads to the very sharp practices that the same system has enacted laws to minimise. The means of keeping score for corporate success, in and of itself, sets a culture and an environment that tempts one to flirt with danger. Invariably, the way 'the wealth game' is played leads executives and others to tinker about the edges of acceptability in the misguided hope and belief that the ends may justify the means. Such a situation is counter productive to sustainable business practices as immediacy, not necessarily longevity (sustainability), is the driver of individual and corporate decisions and actions.

The planet Earth needs to be capable of supporting ongoing and future business practices if they are to be considered genuinely sustainable from both an ecological and an economic perspective. There is no simple solution to this situation, but different perspectives may contribute to create conditions and models of sustainable business practices.

In the last twenty years, the terms such as corporate governance, corporate social responsibility, triple bottom line, and sustainability have all become part of the every day vocabulary of organizations. These concepts need to be embedded in the philosophical treatise that is business ethics. Not to clearly define these concepts leads to the vagaries of individual interpretation and they drift along in a sea of platitudes and vaguely defined hopes. Our great concern has been that corporate governance, for example, has become just another checklist to be completed and filed and forgotten until the next time the specific legislative requirement needs to be met. The philosophy of expediency is driving the agenda and practitioners tend to move over time away from the true philosophy that underpins the concept. We contend that one cannot have truly sustainable business practices without being focussed upon being ethical. We believe that the sustainability of business practices must be closely linked to the ethical aspects of these same business practices. We see them as intertwined and inseparable. If one adopts an ethical stance then one should naturally be doing business in a sustainable way. In line

with this sentiment, the objective of this paper is to describe a corporate model of sustainable business practices from an ethical perspective. The model is outlined and described in the next section.

2. A corporate model of sustainable business practices: an ethical perspective

A corporate model of 'sustainable business practices' from an ethical perspective may be divided into five separate but at the same time interconnected elements as follows (see also Fig. 1):

- (I) foundation,
- (II) communication,
- (III) guidance,
- (IV) outcome, and
- (V) reconnection.

The model relates in part to the work by Wood, Svensson, Singh, Carasco, and Callaghan (2004), Singh, Carasco, Svensson, Wood, and Callaghan (2005) and Svensson and Wood (2008a). The elements of the model and their concomitant artefacts or areas require constant monitoring of the corporate actions and behaviours in the marketplace and society in order to determine whether these business practices are sustainable or not from an ethical perspective. On an overall level, the corporate model of 'sustainable business practices' should be seen as a continuous and iterative process.

The model is continuous because it contains a series of consecutive elements that are mutually interdependent—that is, one depends upon the other, and vice versa. We propose in our corporate model that the process may be initiated with an element of 'foundation,' which lays the ground to develop, manage and monitor sustainable business practices in the marketplace and society. In addition, it provides support for the element of 'communication' that demands that companies inform internal

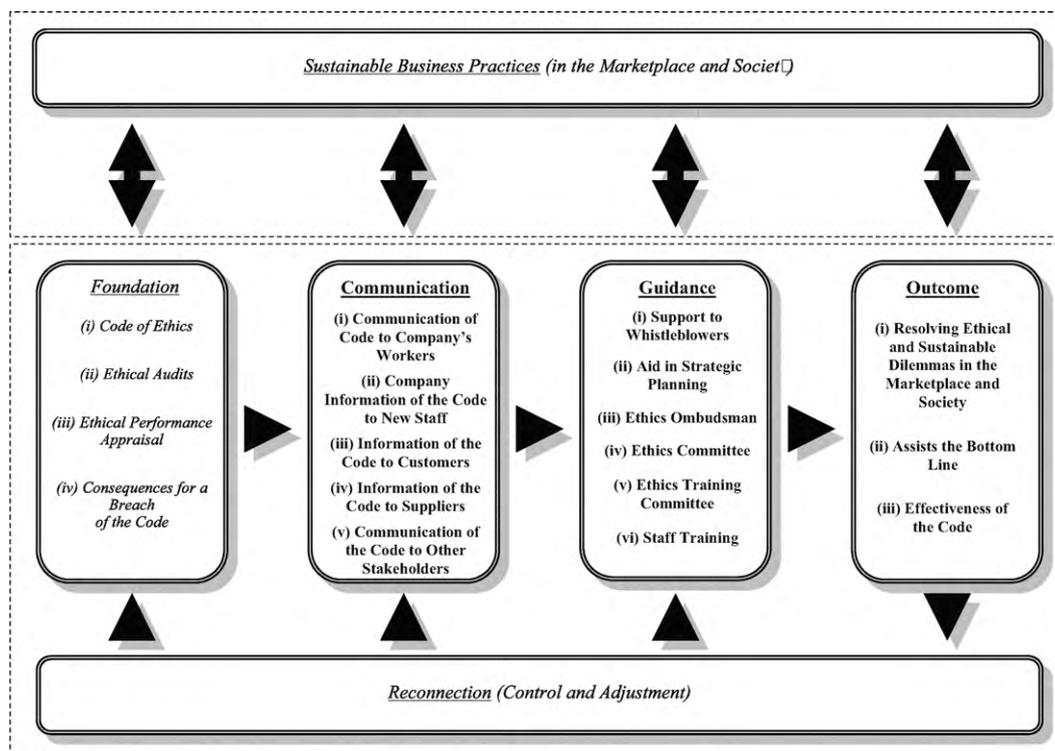


Fig. 1. A corporate model of sustainable business practices: an ethical perspective.

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