

Business Ethics
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Lecture – 51
The corporate citizenship and regulation

Now, we will be discussing on the role of corporates as citizens and the role that they play in the regulation. So, this discussion will be focused on the business as a key player in the regulatory game. So, this can be seen as a type of initiative taken by the business to do participate in the regulations. So, because of which may be new forms of regulations have emerged. This is, this new forms of regulations have given rise to like proactive approach, to encourage proactive approach from the industry. So, then where they are asked to participate in the rule making process.

So, rather than being addressee in the regulation, they can participate also in the role making process. So, by taking some of the activities which, are more self regulatory in nature so and this self regulation have encouraged earlier participation and may be proactive engagement in the industry and may be a incentive given to the organizations, who are following this self regulatory mechanism will act as an example for other organizations also to follow this measures. So, it is become, it is more cost effective in nature as asking people to follow the rules and regulations on like first framing the rules and regulations and then asking people to follow it and then finding out who are not following this rules and regulations these may involved more cost than living it to some extent to this self regulation of the corporates and may be giving some incentives to those organizations, who are following it is more cost effective.

And it helps in the faster achievement of objectives because once there is a common agreement between the, what is expected and what to extent which the business houses can follow it to. This multi actors scenario gives a faster achievement of objectives and. So, what will be focusing over here is the scenario which is a multi actors scenario of regulation formation which takes place may be at the three levels, at the at the like in national levels, at the global levels and we try to see how it will helps and what are the different activities taken.

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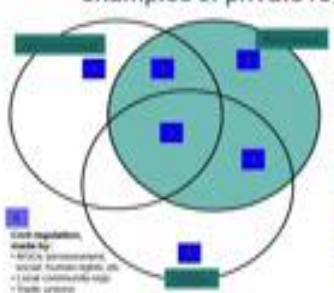
Corporate citizenship and regulation: business as key player in the regulatory game

- Debate over how to improve rulemaking
- Business involvement through self-regulation or 'reflexive regulation' and corporatism
- Reasons for new forms of regulation:
 - Encouragement of a proactive approach from industry
 - And the hope/assumption of
 - Cost-effectiveness
 - Faster achievement of objectives




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Players in the regulatory game and selected examples of private regulatory efforts



- 1. **Regulation made by:**
 - National governments
 - European Union
 - United Nations
 - International governmental organizations (WHO, IMF, World Bank, G8/G7, etc.)
- 2. **Regulation made by:**
 - Business associations
 - Chambers of commerce
 - Industry associations
 - Academic organizations
 - Industry self-regulation
 - Industry standards and programs
 - ISO 9000
 - Self-regulation by industry
- 3. **Regulation made by:**
 - Non-governmental organizations (NGOs)
 - Environmental NGOs (Greenpeace, etc.)
 - Labor unions
 - Trade unions
- 4. **Regulation made by:**
 - International organizations (WHO, IMF, World Bank, G8/G7, etc.)
 - International governmental organizations (WHO, IMF, World Bank, G8/G7, etc.)
 - International self-regulation (ISO 9000, etc.)
 - International standards and programs (ISO 9000, etc.)
 - International self-regulation by industry (ISO 9000, etc.)
- 5. **Regulation made by:**
 - National governments
 - European Union
 - United Nations
 - International governmental organizations (WHO, IMF, World Bank, G8/G7, etc.)
- 6. **Regulation made by:**
 - Business associations
 - Chambers of commerce
 - Industry associations
 - Academic organizations
 - Industry self-regulation
 - Industry standards and programs
 - ISO 9000
 - Self-regulation by industry



So, as we were already discussing like here will be focusing on the multi actor scenario where you can see this like this is the, as we have already discuss like there are the business sectors is there, the government sector is there and the CSO sector is there. So, these threes are overlapping in nature. So, the regulations discussed under one, this section one are the regulation is developed by the government, made by the government. The regulations is discussed under two are regulation self regulations made by the business houses.

What is discussed under six are; civil regulations made by CSOs, three and four; three is a regulation made by the business and the government and four is regulations which are developed by the business and the civil societies where whereas, the five is a sector where it is multipartite agreements. So, we will see like for one these are regulations made by national governments; European Unions, United Nations, international governmental organizations and international treaties. For regulations made by the business associations it is by the business associations, chambers of commerce, then industry associations, individual corporations themselves, the supply chain members specific initiatives and programs.

So, in three we find self commitment by industries to the government. In four we find like a ethical trading initiatives means to what shift (Refer Time: 07:06) something regarding with the civil society that the business have entered into an regulations. When you are talking of civil regulations made by NGOs, it is NGOs environment, social human rights, local community organizations, trade unions and in five we find multipartite agreements; like UN global compact, European alliance for CSR, OECD guidelines for MNCs, Dutch covenant approach and voluntary principles security and human rights. So, this multipartite approach we will be elaborating further.

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Examples of regulatory outcomes on different levels in a multi-actor setting

Level	Actor	Regulatory Outcome
Global	United Nations	UN Global Compact
Global	European Union	European Alliance for CSR
Global	OECD	OECD Guidelines for MNCs
Global	Dutch Government	Dutch Covenant Approach
Global	Voluntary Principles	Voluntary Principles on Security and Human Rights
National	National Governments	National Regulations
National	Business Associations	Business Association Regulations
National	Chambers of Commerce	Chamber of Commerce Regulations
National	Industry Associations	Industry Association Regulations
National	Individual Corporations	Individual Corporation Regulations
National	Supply Chain Members	Supply Chain Member Regulations
National	Specific Initiatives and Programs	Specific Initiative and Program Regulations
Local	Local Community Organizations	Local Community Organization Regulations
Local	Trade Unions	Trade Union Regulations
Local	NGOs	NGO Regulations
Local	Social Human Rights	Social Human Rights Regulations
Local	Ethical Trading Initiatives	Ethical Trading Initiative Regulations
Local	Self Commitment by Industries	Self Commitment by Industry Regulations

And we will see like the regulatory actors or groups involved at the various levels like whether it is local or regional level, at the national level and at the international or the global level.

So, for government at the local level it could be regional imperative regulations like antipollution and may be waste management. At the national level that there are like national imperative regulations like may be 35 or week in France, dual waste management in Germany, closure of nuclear power stations in Sweden, examples like that. International global level like international imperative regulations like European worlds council etcetera, for business at the local and regional level could be the codes of conduct for SMEs or local subsidiaries of corporation, at the national level like country wide self regulations like the BDI in Germany and for the international global level like global industry codes of conduct like chemical industrialist responsible care program ISO 14000, ISO 26000 this type of standards. Business plus government together for at a local level which is the sector three, that we discussed in the earlier Venn diagram regional agreements with government, then in the national level country wide agreement with the government and at the international level global industries codes negotiated with government organizations.

So, environmental management systems standards all this exporting goods, industry goods have conduct, etcetera. Business plus CSO which is the segment four, regional agreement with CSOs at the local level, country wide agreement with CSOs at the national level and global industry code of conduct self commitments of agreements like for a stewardship council, ethical training initiative at the global level. So, at the business, government and CSO which is sector five; which is the multipartite thing that we saw. It is a regional multipartite agreements and projects, in the country wide go for the national level it is the country wide multipartite agreements and projects and in international are the global level, if an global industry multipartite partite a projects codes and self commitments and agreements like global even global compact etcetera.

So, what we find over here like at the, for all the actors at the local level it is agreements and are they following the rules and regulations and entering to agreements with the local bodies either for the government and when it is for the business and government, business and CSOs together or even for the multipartite, but as we gradually move on from the local level to the national to the international level. So, the regional level there

is certain agreements with the between the multi parties, at the regional level also there are these are agreements were. When you are moving at the global level these are more into self regulations and develop in codes of conduct which are to be followed by though MNCs and then the business houses together. Where, all have contributed towards the development of that those codes of conduct. So, that is one of the primary things like focus when you are looking into the global perspective, the codes of conducts are the codes of conducts become very important and that is the codes of conduct become very important.

So, one such thing, one such initiative which is where is, which is worth mentioning is the even global compact. So, the where it is talking of like global regulation so they even has been a contributor to the in the player o the global regulation of the companies for quite some time. So, the even global compact which is based on nine principles, which is initially based in nine principles; tenth on anticorruption has been added in 2004. So, this compact if these with the sections like human rights, in labor environment and anticorruption. So, with human rights the businesses asked to support and respect the protection of international human rights within their sphere of influence. And also to make sure their own corporations are not complicating human rights abuses. In the labor area the businesses asked to uphold freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labor, the effective abolition of child labor, the elimination of discrimination in respect of employment and occupation.

The environment the business is asked to support a precautionary approach to the environmental challenges. Undertake initiative to promote greater environmental responsibility and to encourage the development and diffusion of environmentally friendly technologies. And in promotion of anticorruption the business is asked to work against all forms of corruption including extortion and bribery. The companies that are willing to join have to provide a letter from the CEOs indicating a commitment to this ten principles and share at least one example per year of how they have translated one or more of these principles into practice. In return the companies are allowed to use the evens global compact logo for their compact publicity.

The even considers this global compact to be a facilitator of the dialog between and learning between business government and CSOs. So, it achieves this by establishing a

learning platform, forums and global national and international and global international national and the local levels. It is also organized a large number of policy dialogues for instance of the role of business and country zones or the business and the sustainable developed. So, this is one effort taken another effort taken is that of partnership projects where business public sectors, actors and CSOs are involved into specific projects to tackle ethical problems in business. So, moreover recently it has included annual report on company progress and included peer reviews of members progress in regional learning networks. Presently, more than more than 2500 companies and 500 CSOs and organizations, universities it is from over 90 countries have signed for the global compact and it is increasing day by day.

So, it is that; however, this initiative, initially these considerable criticisms, several CSOs groups are almost that sign up to the ten principles does not commit corporation to very much since complains is not monitored properly and defection is substantially not sanctioned. So, the critics sometimes see this as a mechanism to gain publicity by the business organizations. So; however, this is gaining on more membership and corporates are trying to follow this regularly. Shows like this is a multi actors setting leads to a development of some better regulations which are acceptable and may be in future which can be like easily used without further like, without very like lengthy process and is more cost effective. So, this setting were shifting from where the government is the only the actor and then to this setting where business, government and CSOs all come together to mutually agree to a condition which is acceptable to all is gives a better. And the business plays a role of citizen in determining, what is that condition is that is going to act help is to act in a much better way in the scenario as given by the means in the environment that it is functioning where, the other actors are also there like the government and the CSOs who are the representative voices of the society at large.

So, given and this society at larger other nonhuman entities also at large as far as CSOs are concerned. So, given this scenario or mutual understanding and sharing of like knowledge between all the three, four partners gives to a development of the regulatory frame work and also encourages the businesses for a self regulation. Because it becomes these regulation becomes more acceptable to them because they themselves have participated in the development of this regulations and thus it becomes you know more practical oriented rather than getting it like being enforced by the government and or the

CSOs on the business, but when they participate also in this so it becomes more acceptable to them and they become more encouraged to follow it.

With this discussion, we will move forward to discussing them, because this is the setting where you have discussed the multi actor participation in looking towards the how in the business is participating in formulating some regulations, some restrictions on itself, some codes of conduct that is required to follow for what? When you are talking of this for what, the sustainability, dimensions comes into focus where we are trying to impose this, self regulations on us. We are trying to follow certain ethically oriented practices; we are trying to follow some principles. And we mutually agree to follow it for long term perspective like we also remain in the business, we also survive and enough of resources are left, enough of good conditions are left in terms of environment. So, that the future generation, also are able to survive and they are also able to meet their needs.

So, we are trying to the multi actor agreement where this compacts are signed. It is a mutually handholding, mutual agreement to follow certain self regulations and self discipline so that it is in the benefit of all, not only for the present actors are there in the scenario, but also for the future actors who will be there in similar type of scenario in a future time. So, when you are considering this the existence of the present also taking care of the existence of the future, we are focusing towards the sustainability dimension.

So, in the next discussion, we will move forward to understanding how the government business can work together towards achieving this sustainability of the present and the future generation of balanced energy.

Thank you.