

**Business Ethics**  
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**Lecture - 52**  
**Governments, business and sustainability**

As we have seen in the last module, as the codes of conduct that have been developed in a multipartite scenario and it is more or less businesses proactive role in self regulation and entering into understanding how to develop and implement this course of conduct. And it is non-mandatory or there is no; it is non-mandatory on the part of the organizations like they must be following it then there may be some issues also like they are just entering into this contracts as a part of their enlightened self interest to gain more popularity in may be marketer scenario in the business world.

And then when they are talking of self regulations for the purpose of doing a business and it appears to be like a very multi faceted, multi layered and dynamic activity then question comes like for what; and in that respect when we are defining for what and if you are focusing, we are like what is the businesses role why they are doing it and to what extent is their responsibility in defining this regulations in participating in seen like this regulations are implemented while they playing the role of a corporate citizen and to what we are questioning like to what extent they are responsible and in that context further we are discussing the sustainability issues where we are following the model of triple bottom line where we talking of economic concerns, the environmental concerns and the societal concerns.

Now, defining sustainability by the ecological model where the main focus is on the conservation of the environment and like prevention of the depression of the resources or taking care of the pollution then many industries which are based on these practices of working on non renewable energy this sustainability practices may work as a threat debt. But if you are expanding the definition of sustainability from not only just focusing on the ecological prospective, but we are also including the may be the social prospective into it more and the economic prospective also into it. Then it gives may be a broader aspect of the industries participation because focusing only on ecology may act as a threat to the organization. However, critics have observed like the organizations may

have started redefining the concept of sustainability based on their ease of performing and ease of understanding. So, that when you are putting your focus away from mainly the ecological prospective.

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So, you are doing away with a strict restrictions that are imposed on the organizations for following environmental friendly practices and then it is becoming more like they are shifting from this to understanding of sustainability in an broader definition and this may have and like implications and how it is dealing with the environment and though how it is trying to balance the ecological system, and what contribution it is making to it. So, the redefinition or the leasing the definition of sustainability by putting away the focus from the ecological prospective has not been accepted very well by many of the critics.

So, when we have like which is which we the softer concept has been particularly do, which has been particularly driven by the industry has not been well accepted by the critics. So, given more or less this (Refer Time: 06:23) resistance of the industry to sustainability. It is the government who has to play more regulatory role in defining the regulations and making the industry follow it very strictly because if left to may be self regulation they are trying to redefine it in a softer way which is not the proper way of looking into the concept of sustainability. So, here the government has a major role to play to see that the business organizations are following the regulations and it is getting properly implemented.

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**Global climate change legislation and business responses: Support vs. obstruction**

- The debate on climate change regulation has been a key political arena of sustainability
- CO<sub>2</sub> reductions represent a big threat for some industries
  - Result: Global Climate Coalition, to lobby against regulation
  - Variable success (and the coalition has been disbanded)
- In Europe, public appetite for action, so firms lobbied to shape the regulation that emerged. ETS introduced in 2005
  - Strictest approach, but uses market mechanisms, flexibly
- In Australia, Canada, USA, lobbying was against action
- Global supply of food and water is another key issue
  - Bolivian example of ethical issues in water privatization
  - Volatility of global markets for wheat and rice, exacerbated by rise of biofuels

So, we will study it with respect to majorly the global climate change legislation and the business responses. So, there have been two type of responses like support and obstruction both.

So, the debate on climate change regulation has been the key political area of sustainability. So, from the ecological view point the potentially irreversible destruction of the ozone layer has to be classified as one of the most worryingly unsustainable behaviours. Therefore, global warming and changes in the global climate where the central stage in the RIO summit in 1992. Levi and Egan, 2000, suggest that by this time the world business council of sustainable development, a coalition of 160 international companies has already certainly lobbied against any concrete measures to be implemented on a global level. However, as the political debate moved on the Kyoto protocol was ultimately signed in 1997 by 200 countries.

The protocol force saw significant reductions in the emission of green house gases most notably carbon dioxide. Reductions of carbon dioxide; however, it presented severe threat to some industries. Amongst the fiercest opponents was oil industry which is fundamentally implicated in the green house gas emissions through the burning of fossil fuels. As a result of this the industry formulated founded the global climate coalition in 1989 to lobby against government regulations to cut back on green house gas emissions.

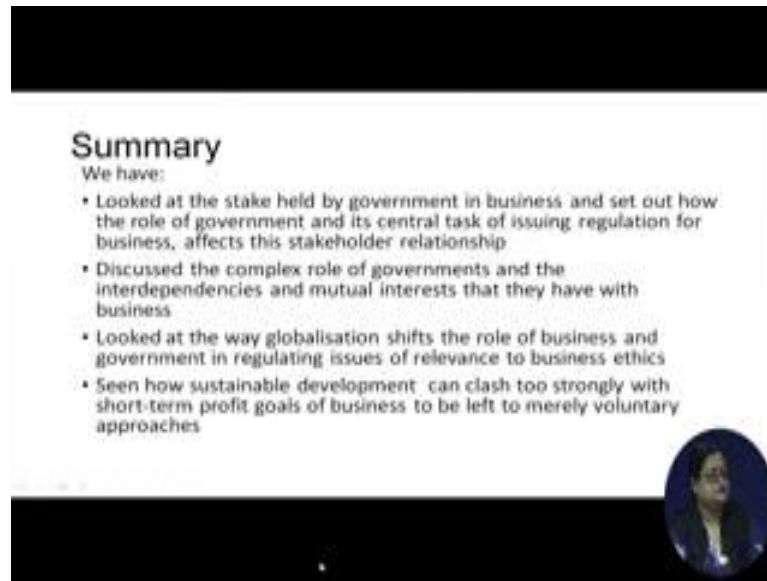
As (Refer Time: 10:04) Levi reveal among the main goals of the global climate coalition at lobby on the global level for weaker legislation and on the national level to lobby the governments not to sign rectify or implement the Kyoto protocol, amongst the main members of the JCC whether European companies BP and shell as well as the American companies like Exxon Mobil and Texaco. In course time; however, those then strategies differed quite significantly and then the European companies let the JCC first BP in 1996 and later shared in 1998.

Despite the industries reforms catechism it was ultimately found like the governments and most notably the European Union were bound to implement Kyoto at some stage and also they face lot of stakeholder pressures from the CSOs and others, to stake back from the obstructive positions of the global climate coalition. So, which made the companies may be to rebrand themselves from the old BP from the getting named from the British petroleum to rebranding itself as beyond petroleum.

So, this constructive engagement of the industry towards climate change, towards climate change was looked into very positively and it gained further momentum and there we sent milestone is a letter with a corporate leaders group on climate change, the British prime minister offering their active support for tougher times in implementing the Kyoto targets. So, from negative association it became a very positive association. So, this; however, this strategies of the US companies were different, since the considerable mileage in lobbying the US government referring from implementing climate protection legislation. So, this happens and so we can see like these issues have got different responses from different parts and of the world and how the industry have behaved in union with a government and the CSO support, so has laid to the views strategies that they have taken.

Another issue which is of importance is the global supply of food and water, and whether like water should be privatized, supply of water should be privatized an ethical issues related to it and volatility of global markets for rice and wheat and by the exacerbated by the rise of bio fuels. So, these type of things are important issues to be discussed under this global changes and business global changes and business responses which are like where there it is an obstruction created by the industries towards the implementation of this regulations or they have supported this movements.

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So, this also have led to discussions like whether it is a sometime industries are playing a dual role or not in the sense whether they have publicly may have supported this issues.

But may be privately they have for publicly they have supported this issues, but publicly they have appear to be good, but privately they may have lobbied for to the government for restraining from implementation of this regulations through (Refer Time: 15:41) lobby. So, there could be a difference in the images that is maintained between the like a public image that is being maintained by the organizations and the privately what they are pressured, they are acting as a pressure group to their own government to not to implement this issues or to implement it not in such a strict way, but in a lower version of it.

So, this like though climate change prospective the carbon emission this as immense implications on the automotive industry across near off. So, what are the; like what are the steps taken by the organizations whether it is taken any middle of the role positions like this, this needs to be investigated. Achieving sustainability then we have to understand what is the necessary role for the government.

So, what we understand from here is that the business is often focused on short term successes specially focusing on economies which are more strongly gear towards share holder value ideology. Sustainability however, is looking at inter generational sustainability is focusing towards inter generational equity balance and it assumes much

much longer time prospective. So, there is however, nothing wrong in the industries taking a short time prospective for judging certain aspects of their financial success because this it is one of the important features of the market. But also at the same point of time it needs to take care of the full interest of the society at large for the next generations how it is understood like the business will not be motivated very much it to take this long time, full long time interest in implementing sustainability.

So, in the way like that we have been discussing the role of the different stakeholder and the implication of sustainability towards them, as compared to the other stakeholders. So, there comes the important role of the government who has to take up the role of representing the needs of the other stakeholders and that also of the future generation and to act in and the government have to act in favor of the future generation.

So, all though self regulations and voluntary agreements open up the dialogue between the business and the government and the CSOs. So, for framing of regulatory activities, but it is the; because it is a long term prospective the business may lose interest in doing something for which immediate results are not visible to them. Because of this government has to take the initiative to see like this in setting up these rules and regulations and enforcing the rules which are end at promoting sustainability and the ultimately the success of the regulatory activity will depend upon the; however the strength that the government institutions can maintain within a rapidly globalised and deterritorialized economy because we have seen like with the shift from the Westphalia to the post Westphalia scenario the government is shifting from a more dominant role to a dependent role.

So, we can understand like because businesses may not develop that long term prospective for taking initiative for a certain measures for which results are not immediately visible then the government has to take some role in making those implementations, making the organizations follow it, like to some extent forcing them also to follow this because it is in the larger interest of the community and it is for the inter generational benefit and the equity. However, whether they are able to do it or not how further they are able to force it on the organizations or not, depends on the relative power dynamics that the government enjoys with respect to the corporate and that too is when we are talking of in the globalized scenario.

So, maybe we have to formulate regulations like what it can be done at the global level, what steps can be done at the national level and what strict regulations can be done at the local level. So, if these policies are implemented in a proper way and active steps are taken to some extent may be the business corporations will be forced to follow the sustainable practices.

Self regulation of course, is there its self regulations are practices which are welcome practices self regulations and voluntary participations are very welcome practices, but the government also should be active enough in implementing this rules and regulations and monitoring that the rules and regulations with regards to the sustainable business practices which leads to the sustainability not only of the present, but of the future generation through from the ecological perspective majorly. It has to constantly monitor it check it that these practice has a being followed and active participation of the government have to be there.

With this we will move on to the summary of today discussion. In today's discussion we have focused on the stake held by the government in business and set how the role of the government and its central task of issuing regulation for business affect this stakeholder relationship. We have discussed about the complex role of governments and the inter dependencies of the mutual interest that they have with the businesses.

Looked at the way globalization shifts the role of business and government in regulating issues of elements to business ethics and we have seen how sustainable development can clash too strongly with the short term profit goals of business to be left merely to voluntary approaches.

So, till now we have focused on to the major stakeholders involved in the business, we have focused on the stakeholders like consumers, employees, suppliers who are directly connected with the business practices, economic activities of the business. We have also focused into two of the actors, stakeholders like the civil society organizations and the government though not directly connected with the economic activities of the business. But they have a major role to define how the business is going to function and what are the expectations of the society and how the regulation frame or regulatory frame on can be formulated so that the businesses function within that frame for sustainable business practices and following ethical codes of conduct. So, these have been focused in the

stakeholder's relationship with the business ethics that we have focused in the discussions till today.

In the next module we are going to discuss about one of the stakeholders which, the mention of which have been come time again, but it is a silence stakeholder who cannot express itself, but it is a very important stakeholder as you have just seen while we are discussing the ecological prospective. We are speaking of the stakeholder which is the environment and in the next module we are going to discuss about the environment and business ethics, relationship of the organization with the environment and ethical issues with respect to it.

Thank you