BIOINFO Sociology
ISSN: 2249-1678, E-ISSN: 2249-1686, Volume-5 Issue-1, 2016, pp.-71-73.
Available online at http://bioinfopublication.org/journal.php?opt=azjou&jouid=BPJ0000210

Research Article

CORPORATE GOVERNANCE AND SUSTAINABLE GROWTH

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Received: July 06, 2016; Revised: August 02, 2016; Accepted: August 03, 2016; Published: August 07, 2016

Abstract- In today's changing world, corporate governance (CSR) is a growing area of interest for academics, practitioners and entrepreneurs, in terms of both theory and practice. The discussion about the Sustainable Growth (SD) and corporate governance (CSR) has risen above average and a huge amount of different terms has been established. Corporate activities are increasingly regarded as a necessary part of the network of organizations involved in creating societal infrastructure or addressing societal issues. A framework is presented in which the relationship between SD and CSR is defined to ease further research in SD and CSR, moreover, to enhance the growth of new methodologies and instruments towards the implementation of SD/CSR strategies into companies.

Keywords- Sustainable Growth, Corporate, Societal Accountability, Corporate Sustainability

Citation: Misal Dilip M. (2016) Corporate Governance and Sustainable Growth. BIOINFO Sociology, ISSN: 2249-1678, E-ISSN: 2249-1686, Volume-5 Issue-1, pp–71-73.

Academic Editor / Reviewer: Mamata Hatkar, Mishra Mahendra

Introduction

A Greek Playwright coined the word "*Philanthropy*", 2500 years ago. And while terms like "*giving", "corporate societal accountability", "sustainability*", have become popular in the business lexicon, the underlying thought for all of those is one "*a love for humanity and work for healthy planet*".

The corporate and private segment is crucial for any country and region's inclusive, evenhanded and sustainable growth, contributing to regional cooperation and financial progress by bringing money, expanding market, generates employment, create infrastructure, wealth and global capability. The ongoing globalization, trade, commerce and dynamics of a fast moving economy have also transformed the role and responsibilities of the business fraternity, which is now influencing prospect financial trends, carbon-footprints, ecological and societal measurement and Govt. policies through and within its Corporate governance (CSR) landscape. Sustainability refers to an organization's activities, typically considered voluntary, that demonstrate the inclusion of societal and ecological concerns in business operations and in interactions with stakeholders.

To understand and enhance current efforts, the most societally responsible organizations continue to revise their short and long-term agendas, to stay ahead of rapidly changing challenges. The quality of relationships that a company has with its employees and other key stakeholders "such as customers, investors, suppliers, public and lawmaking officials, activists, and communities" is crucial to its success, as is its ability to respond to competitive conditions and corporate governance (CSR). Corporate accountability or sustainability is therefore a famous feature of the commerce and civilization, literature, address topics of commerce ethics, corporate societal performance, global corporate citizenship, and stakeholder management.

Corporate governance (CSR):

Corporate governance (CSR) refers to working a trade in a manner that accounts for the societal and ecological impact created by the business. CSR means a user to emergent policies that integrate accountable practices into daily commerce operations, and to reporting on progress made toward implementing these practices.

Common CSR policies include:

- Adoption of internal control reform;
- Promise to diversity in hiring employees and barring discrimination;
- Management teams that view employees as assets rather than costs;
- High performance workplaces that integrate the views of line employees into decision-making processes;
- Adoption of operating policies that exceed compliance with societal and ecological laws;
- Advanced resource output, focused on the use of natural resources in a more productive, efficient and profitable fashion (such as recycled content and product recycling); and
- Taking accountability for conditions under which goods are produced directly or by contract employees domestically or abroad.

Corporate governance (CSR) strategy, based on sound ethics and core values, offers clear business benefits. Sustainable growth rests on three basic pillars: financial growth, ecological balance, and societal progress.

Emphasis on societal ecological and financial sustainability has become a focus of many CSR efforts. Sustainability was originally viewed in terms of preserving the earth's resources. In 1987, the World Commission on Environment and Growth published a landmark action plan for ecological sustainability. The commission, named after former Norwegian Prime Minister GroHarlen Brundlandt, defined sustainability as "meeting the needs of the present without compromising the ability of prospect generations to meet their needs." Companies are now challenged by stakeholders, including customers, employees, investors and activists to develop a blueprint for how they will sustain financial prosperity while taking care of their employees and the environment.

At the same time, normal investors are being challenged to ensure that they review CSR issues when analyzing companies. The United Nations Environment Program Financial Initiative asked one of the world's largest law firms to research whether institutional investors such as pension funds and insurance company are legally permitted to integrate ecological , societal and governance issues into their money decision-making and possession practices. The resulting report, released in October 2005, concluded that investors were not only permitted to but also sometimes required to take such factors into account. "Integrating environment, societal and governance considerations into an money analysis so as to more reliably predict financial performance is clearly permissible and is arguably required in all jurisdictions," the report concluded.

Growth of Sustainable Growth and CSR:

The origin of the term SD lies in the 18th century and was actually used in forestry. In those times, it was only allowed to cut down a certain number of trees so that a long-lasting protection of the tree population was guaranteed. This method ensured a continuous supply of wood without reducing resources for forthcoming generations. The Club of Rome precipitated a global discussion due to its report "Limits to Growth" (Meadows, 1972). In the course of this discussion, an eco-growth approach was created which effected the protection of resources and environment coming to the fore. This growth has lead to the mission statement of SD we have today. In 1987, the World Commission on Environment and Growth defined SD as an ethical concept and has become the major definition of SD: "Sustainable Growth is a growth that meets the needs of the present without compromising the ability of prospect generations to meet their own needs. It contains within it two key concepts: the concepts of "needs", in particular the necessary needs of the world's poor, to which superseding main concern should be given; and the idea of limits imposed by the condition of technology and societal organization of the environment aptitude to meet there and prospect needs. Thus the goal of financial and societal growth must be defined in terms of sustainability in all countries developed or developing, market-oriented or centrally intended." cited in "Our Common Prospect" (**World Commission on Environment and Growth, 1987**) [5]. Elkington goes more into feature when arguing that the company be supposed to not only focus on enhancing its value through maximizing profit and outcome, but concentrate on ecological and societal issues equally (Elkington, 1998). Therefore, SD is defined as a model of triple-bottom-line.

Whereas the term SD has mainly started to be used in the 1980's, the framework of CSR has already been established in the 1950's and 60's. Bowen defined CSR in 1953 - as one of the first as. "An obligation to pursue policy to make decisions and to follow lines of action which are well-matched with the objectives and values of society" (Douglas et al., 2004). In the start, however, the term Societal Accountability was rather used than CSR. Societal Accountability assumes that monetary and legal duties of the companies should be comprehended by certain responsibilities to society (McGuire, 1963). Carroll argues that Societal Accountability exists of four components such as financial, legal, ethical and discretionary expectations that society has of a company and that companies have to decide which layer they focus on (Carroll, 1979).

On the other hand, Friedman "as most known defender of the neoclassical view of financial "defines Societal Accountability completely differently: "There is one and only one societal accountability of business - to use its capital and engage in activities to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud" (Friedman, 1962). Until today this neoclassical view has been the primary paradigm of business. Concepts of SD and CSR criticize this point of view. As Wood puts it, "the basic idea of Corporate governance is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes" (Wood, 1991).

Organizations such as the World Business Council for Sustainable Growth (WBCSD) actively take part in the sustainability and CSR discussion. WBCSD regards CSR as an engine for the societal dimension (societal progress) which supports companies to fulfill their responsibilities as good citizens and defines CSR as "business' assurance to contribute to sustainable financial growth, working with employees, their families, the local community, and society at large to improve their quality of life (WBCSD, 2006) [6]. On the other hand, the Commission of European Communities describes CSR as a "concept, whereby companies integrate societal and ecological concerns into their business operations and interactions with their stakeholders on a voluntary basis (Commission of the European Communities, 2001).

Relation between Corporate Societal Accountability& Sustainable Growth:

CSR is an integral part of sustainable growth. Exactly where it fits in is vigorously debated, mainly because the concept of sustainable growth also has many different interpretations. This diagram, illuminates CSR's relationship with sustainable growth.

The basic idea to incorporate the sustainability aspect in business management should be grounded in the ethical belief of give and take to maintain a successful company in the long-term. As the company is embedded in a complex system of interdependencies in- and outside the firm, this maintaining character should be fulfilled due to the company's assurance in protecting the environment or reducing its ecological footprint and due to the general acceptance of its corporate behavior by society in- and outside of the firm. It is optional that CSR is to be used as a societal strand of the SD-concept, which is mainly built on a sound stakeholder approach. CSR focuses particularly on the corporate appointment, realizing its everyday jobs as a member of civilization and meeting the expectations of all stakeholders. A structure in which SD is defined by Brundtland and the model of the triple-bottom-line as an ethical concept, which offers ideas concerning sustainable orientation on a macro-level.

The idea of SD on a corporate level is stated as Corporate Sustainability, which is based on the three pillars financial, ecological, and societal issues, therefore, the societal dimension is named CSR. The corporate orientation on sustainability is specially affected by external influences due to the specific sustainability orientation on a macro-level by:

- Legal/Institutional: laws, human rights, etc.
- Technological: new technologies
- Market: suppliers, competitors, customers, trends
- Societal: NGO's, society
- Cultural: attitudes, behavior
- Ecological: nature, availability of resources

Not only does society influence the company, the implementation of Corporate Sustainability in companies also has positive effects on society in the long-term, as indicated by the gray columns, which reach into the white area of the figure.

Conclusions:

According to the emergent literature, there is a growing awareness that business needs to manage its relationship with the wider society. Corporate leaders are responsible for their corporation's impact on society and the natural environment beyond legal compliance and the liability of individuals. More experienced leaders can gain new perspectives on how to grow in their approach to sustainability and how to develop innovative business models. CSR is becoming a leading principle of top management and of entrepreneurs. In part due to the emergence of the Internet and continuing globalization, companies are becoming accountable for labor issues and working conditions in their partners' operations as well as their own. Organizations can reexamine their behaviors and begin their journey toward a sustainable approach that is integrated into their business strategy. Incorporation of CSR with business strategy, implementation of an open information strategy could be the company's successful competitive strategy.

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