Ethics and Governance Issues in Sustainability in Asia:
Literature Review and Research Proposals

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I. Introduction

- Pressure on corporations to behave in an ethically responsible manner, given recent accountability failures.
- Result: crisis of investor confidence; stock markets declining by billions of dollars (Racelis, 2010; Walker, 2005).

I. Introduction

- One cause of such accountability & governance failures = failure to practice:
  - *genuine corporate social responsibility*, that is to say:
  - organizational ethics,
  - corporate citizenship, and
  - corporate sustainability.

I. Introduction

- If *sustainable development* is to mean "development that meets the needs of the present without sacrificing the right of future generations to fulfill their needs" (WCED, 1987: 43), then there is a critical need to continue debating the ethics and morality of sustainability (Garriga and Melé, 2004).

I. Introduction

- AIM: a call for a re-thinking of the role of business in society, especially in the design and implementation of sustainability practices.
- *Business Ethics* terminology:
  - *Responsible Investment (SRI)*
  - *Corporate Social Performance (CSP),*

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The Rule of Law: Good Governance (Corporate & State)
Ethics: From Corporate Social Responsibility to Corporate *Social Integrity*
Genuine Poverty Alleviation:
- *Bottom of the Pyramid* Economics (as market, producers-suppliers…)
- Microfinance / Microcredit
- Government + Private industry + NGOs + Educational institutions
Collaboration:
- Private-Public Partnership
- Technology Business Incubator (University-Technopreneurs)
Training & Education

II. Literature Review

- Neglected fundamental dimension of sustainability: **ethical dimension** (Vucetich and Nelson, 2010).
- Ethical reasoning → **vital** to the practice of business and finance (Walker, 2005).

II. Literature Review

(1) Governance and the rule of law:

- Corporate Governance = hot topic
- Poor "tone at the top"
- Corporate governance mechanisms:
  - increasing ownership concentration,
  - improving independence of board directors,
  - refining explicit and implicit executive incentives,
  - formulation of a Code of Ethics, etc.

II. Literature Review

(1) Governance and the rule of law:

- While Sarbanes-Oxley Act (sox) strengthened independence of auditors of firms, realization - intervention of regulatory agencies and lawmakers is necessary for development of governance mechanisms in private and state-owned firms (Echanis, Wong…)

II. Literature Review

(1) Governance and the rule of law:

- Philippines: although weaknesses in governance mechanisms have been partly addressed by regulations issued by government and other agencies and through laws recently enacted by lawmakers and regulatory agencies, the reforms have been rather wanting. (Echanis, Wong…)

II. Literature Review

(1) Governance and the rule of law:

- Enforceability of laws is weak;
- Monitoring system and protective ability of regulatory/supervisory bodies need strengthening;
- Judiciary system remains ineffective in protecting the rights of individuals and establishments; &
- Sanctions for non-compliance are lenient or non-existent (Echanis, Wong…)

2. Ethics and Morality:

Designing and Delivering Business
Ethics Teaching and Learning

Ronald R. Sims
Edward L. Felton, Jr.

ABSTRACT. The recent corporate scandals in the United States have caused a renewed interest and focus on teaching business ethics. Business schools and their faculties are reexamining the teaching of business ethics and are reassessing their responsibilities to produce honest and truthful managers who live lives of integrity and ethical accountability. The authors recognize that no agreement exists among business schools and their faculties regarding what should be the content and pedagogy of a course in business ethics. However, the authors hold that regardless of one's biases regarding the content and pedagogy, the effective teaching of business ethics requires that the instructor in designing and delivering a business ethics course needs to focus particular attention on four principal questions: (1) what are the *objectives* or targeted learning outcomes of the course? (2) what kind of *learning environment* should be created? (3) what *learning processes* need to be employed to achieve the goals? and (4) what are the *roles of the participants* in the learning experience?

professional accountabilities and responsibilities of managers in the workplace.

KEY WORDS: designing business ethics learning, teaching business ethics.

Introduction

Over the years, media attention on corporate ethics scandals has proven to have an impact on the overall interest in business ethics courses and classes, with the immediacy (often reactive in nature) of ethical issues inspiring greater interest among accrediting institutions, business schools and students. For instance, the Association to Advance Collegiate

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2. Ethics and Morality:

- "goods that are truly *good* and services that truly *serve* " [JBE]
- <u>Non-good</u> products:
  - Harmful
  - Wasteful
  - Not respectful of human dignity

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2. Ethics and Morality:

- Ethics and an ethical culture have an impact on decision-making and relationships in organizations.
- Need to reflect on *responsibility* and *stewardship* → comprehensive view of sustainability (moral integrity) (Solomon, 2000; Gomez, 1992; Racelis, 2010; Marsh, 2009)

> Genuine corporate social responsibility (CSR) = profit maximization <u>not</u> the sole purpose of firm, + firm's shareholders not the only stakeholder group (Davidson, 2009). ☺"Responsibility" in CSR implies accountability [responsibility implies an obligation to <u>something</u>, e.g., environment, or to <u>someone</u>, e.g., most poverty-stricken groups of people or quality of life] (Marsh, 2009). ☺**Ethical sustainability** = "meeting human needs in a socially just manner without depriving ecosystems of their health" (Vucetich and Nelson, 2010).

Ethical sustainability

- ≠ giving in to the "populationism" [widespread use and dissemination of artificial contraceptives, which in reality eventually lead to more abortions, divorces, destruction of family life, etc.], → This can have serious economic consequences for the long-term and <u>sustainable development</u> of human societies, apart from not treating any medical condition (Villegas, 2011).

Ethical sustainability

- = taking seriously the firm's **fiduciary** and **stewardship** duties.
- Business ought to contribute to the **common good** by creating wealth, providing goods and services in an efficient and fair manner, at the same time respecting the **dignity** and the inalienable and fundamental rights of individual human beings (Garriga and Melé, 2004)

3. *Ethical* poverty alleviation:

- Authentic and sustainable development = working at the real solutions in order to eradicate or at least alleviate poverty.
- In agriculture-based economies (e.g. Philippines), the ultimate solutions are to be found in:
  - **countryside and rural infrastructures;**
  - **quality basic education (for the children of the poor)**
  - **primary health services;**
  - **microcredit and microenterprise programs;**
  - **technical skills training for secondary school students;**
  - **social housing (Villegas, 2011).**

3. *Ethical* poverty alleviation:

- PIDS: A far as food security in the Philippines is concerned, focus should be placed on addressing constraints to agricultural finance in order to boost food productivity (Llanto, 2010).
- PIDS: Focus should be put in investing in roads, since the unreliable and inadequate infrastructure in the Philippines has been found to be a major impediment to economic growth (Llanto, 2011).

3. *Ethical* poverty alleviation:

- **Role of microcredit in the so-called "Bottom-of-the-Pyramid" (BOP) market**
- More morally correct to:
  - Make BOP markets productive suppliers or employees;
  - Is it ethical for multinational companies (MNCs) to sell "luxury" goods to the extremely destitute [80% NI goes to basics]?
  - When credit is extended: are those products a productive resource which can generate new income stream so they may get out of poverty?

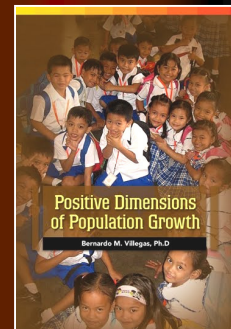## 3. *Ethical* poverty alleviation:

- **Issue of FOREIGN AID:**
- Ethical Concerns:
  - "development assistance was a mistake!" (Easterly, 2007, p. 331)
  - increasingly large amounts of money poured into fertility control & population control.
  - RESULT: population control programs have hurt women's health everywhere and have been detrimental to real economic growth and social and ecological improvement (Aguirre and Hadley, 2005).
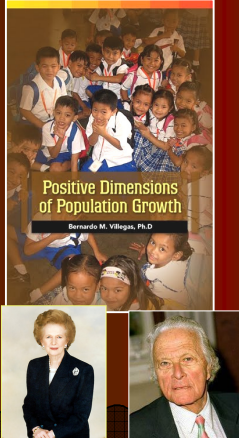
3. *Ethical* poverty alleviation:

- **Issue of FOREIGN AID:**
- Foreign aid directed at population control = counter-productive over the long run, given demographic crisis in Singapore, Japan, Russia, others (Villegas, 2011).
- Augmenting human capital by expanding education, improving health conditions, and creating an economic environment have greater returns that can be generated by the world's human resources (Villegas, 2011).

3. *Ethical* poverty alleviation:

- "Worries about population growth reflect a patronizing view that the poor are incapable of making sensible choices about having children" (Lord Peter Bauer, 2002).

Positive Dimensions of Population Growth
Bernardo M. Villegas, Ph.D

"The much deplored population explosion should be seen as a blessing rather than a disaster, because it stems from a fall in mortality, a *prima facie* improvement in people's welfare" (Lord Peter Bauer, 2002).

4. Collaborative efforts

- **Public-private partnerships** = a solution to many societal and business problems.
- Successful when, e.g., public-private partnership development efforts are focused on specified geographic regions based on unique regional strengths (Foley, et al., 2011).

4. Collaborative efforts

♥ "Social Engineering" (Social Enterprise / Innovation)

= Corporations + local government units (LGUs) + government agencies + benefactors (coordinated by partnership management groups).

4. Collaborative efforts

● "Technology business incubators" (TBI)

= bring together universities (especially their scientific research centers), venture capitalists, inventors, and physical facilities to "incubate" or nurture technology start-ups.

5. Training and education

Ethical challenge to the manager:

= achieve his true end → *eudaimonia* in *Aristotelian Ethics* (=happiness or human flourishing through moral excellence) (Dobson, 1997).

= requires training in moral philosophy (to understand *sustainability* as : human needs, socially just, respectful of ecosystem health, human dignity, common good, etc.

The leader as servant

● Among the few existing explicitly normative concepts of leadership, the idea of servant leadership has arguably been the most influential, aside from Burns' concept of transforming leadership (1978).

- Russell & Stone (2002) identified the ff. servant leader attributes:
1) vision,
2) honesty,
3) integrity,
4) trust,
5) service,
6) modeling,
7) pioneering,
8) appreciation of others,
9) empowerment.

Cerff (2004) and Hale (2004) both addressed the connection of servant leadership in the African continent.
Cerff engaged the concepts of <u>Ubuntu</u> and the African Renaissance…

- ❖ **UBUNTU – an African ethic or humanist philosophy focusing on people's allegiances & relations with each other.**

= conviction of heart that constantly manifests whenever there is a legitimate need to serve in the absence of extenuating personal benefits

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SUSTAINABILITY ☺

III. Research Agenda

1. Corporate and state governance, and the rule of law;
2. Ethics and morality,
3. Genuine poverty alleviation,
4. Collaborative efforts, and
5. Training and education.

1. Governance and the rule of law:

- Usual corporate governance mechanisms do <u>not</u> totally resolve problems. = <u>not</u> fool-proof!
- Even in the "most perfect" of cases, none of these corporate governance mechanisms are cure-alls for bad corporate decisions.
- In other words, there is no guarantee that Rules, Codes … even Manuals … can elicit morally upright behavior from organizational members.

Research the following:

- (1) Extent to which companies and countries are implementing governance principles;
- (2) Extent to which corporations / professions have codes of ethics;
- (3) continued assessment of firms' corporate governance performance vis-à-vis their own manual / code of CG;
- (4) comprehensive listing of the "social and moral responsibilities of business".

2. *Ethical sustainability*

- "Triple bottom line" → "quadruple bottom line", to include ability of businesses to:
  - contribute to economic growth in their respective countries;
  - minimize environmental degradation and decline;
  - alleviate or eradicate poverty, disease, and social injustice

3. *Ethical* poverty alleviation:

- Bottom-of-the-Pyramid [BOP] markets
- Authentic and sustainable development = working at the real solutions in order to eradicate or at least alleviate poverty.
  - *Education*
  - *Jobs/Employment/Income*
  - *Health*
    (e.g., investigate Lant Pritchett's findings in Phils. & rest of Asia)

4. Collaborative efforts

- Untiring efforts have to go to research and development (R&D) and innovation [research, education and investments in science and technology have been shown to be correlated with rapid economic advancement (Posadas, 2009).
- Coordinate work among corporations, local government units (LGUs), government agencies, and benefactors in order to achieve the much desired *social innovation* in the developing world.

5. Moral Training and Education

(1) Theoretical and practical research in moral philosophy is a must,
(2) Research on the "servant leadership" concept —its relationship fruitful teamwork & sustainability— can be expanded.
(3) "Virtue Ethics" – how can 'sustainability' be achieved in such a way as to achieve *eudaimonia* ['human flourishing']?

THANK YOU!

Questions ?

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