**The Second Annual Responsible Business and Management Writing Competition.**

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**Institution:** Kent Business School, University of Kent

**Title of Work:** Discuss and analyse the importance of responsible business management in business.

**Module:** CB311:Business Skills and Employability

**EXECUTIVE SUMMARY**

Responsible Management in business has a fluid interpretation as it may mean different things to different organisations in any point in time. However, it is generally seen as consisting of the triad of concepts. That is, Responsible Management in business assumes responsibility for what can be described as the triad; Triple Bottom Line (Sustainability) while delivering Value to Stakeholders (Corporate Social Responsibility) and in doing so addressing Moral Dilemmas (Business Ethics) being faced by the business.

In this essay, the triad of concepts are discussed in relation to its contribution to responsible management in business. Different theoretical underpinnings and business cases drawn from different industries are used to support the discussions.

The essay argues that greater orientation of organisations to their stakeholders in response to the demands of the triad is very important as it offers organisations to consider the views of its stakeholders’ and the consequences of their own decisions and actions.

**Discuss and analyse the importance of responsible business management in business.**

Responsible business management holds different interpretations to various organisations. Whether it be due to its stakeholder demands, organisational beliefs, or operations, all businesses will have their own approach to dealing with these type of management issues. This essay discusses what responsible business management means, including key issues that make it up. This is described in this essay as the triad of concepts, namely: the Triple Bottom Line (Sustainability), stakeholders’ value delivery (Corporate Social Responsibility) and addressing Moral Dilemmas (Business Ethics). The essay therefore assesses firm’s responsibility for sustainability demands, while delivering value to its broad range of stakeholders as a result of its corporate social responsibility, while at the same time addressing ethical dilemma but may occur in operating the business. These discussions are supported by the use of business examples. Responsible business management are all important because they affect how companies operate. Moreover, how organisations deal with customers and stakeholders, often determine their long-term success.

The triple bottom line, most commonly known as sustainability, is of most importance to companies - and individuals – around the world. Everyone has their own way in approaching and managing sustainability, as they have their own understanding of what it means and how it can affect their stakeholders. Coca Cola as an example have helped “3m people gain sustained access to safe drinking water” (Coca Cola 2016). Relating this to Blowfield and Murray’s (2014, p.22) view that sustainability is “the ability to sustain a high quality of life for current and future generations”. In line with Elkington’s (2004) view of the triple bottom line, sustainability means that consideration must be given for the economic, environmental and social value generation and practices. Adherence to these principles can deliver business case for sustainability (Dyllick and Hockerts, 2002) as evident by Coca Cola increasing their brand reputation and improving on sales to over $41billion (Investis, 2017) while engaging and meeting the needs of vulnerable communities, selling to consumers and taking care of other stakeholders. It shows responsible business management is important to Coca Cola, as they are proactive to care for their stakeholders and to ensure they also deliver value to shareholders.

Contrary to this belief, sustainability can just be “about profit” (Henriques and Richardson, 2004) which goes against Coca Cola’s goodwill to help disadvantaged communities and other sustainability projects. It seems there is only an economic view that the bottom line is about profit, where revenue is increased without increasing costs, which is hard to believe as one can see for a majority of successful companies that even though profit is important, providing sustainability efforts is just as essential, if not more. If we decide to support Henriques and Richardson’s belief, profit can be a main driver of sustainability, but it’s what companies do with it that matters: money can be used to not only re-invest back into the running of firms, but its impact on stakeholders, such as giving to the local community, easing customer and employee relations and maybe introduce new sustainability programs. This shows that perhaps sustainability isn’t quite as important in relation to responsible business management; economic values are the main driving factor with disregard for environmental and social benefits, despite multi-national company Coca Cola proving its success otherwise.

Huchzermeier (2016) notes that Walmart’s Supplier Sustainability assessment from 2007 helped its strategy to sustain people and the environment as relationships with suppliers improved, as well as customer satisfaction; it is evident that responsible business management is key factor in the company’s success as it attained over $400 billion revenue in 2012. This five-year difference shows that in just a short amount of time, Walmart managed to build relations for the best to aid its finances, whereas other companies may struggle to do this in a similar time period.

Additionally, the World Commission supports the activities of Walmart, stating that sustainability regards

*“development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (1987, p.43)*

The company has shown that by working with its stakeholders closely, it can not only improve finances but its reputation into helping future generations, so they don’t suffer from any damage caused by our business decisions of today.

Elkington partly supports the Commission’s statement too, including Blowfield and Murray’s as discussed earlier: he believes the triple bottom line holds the aim to add the same values, but also to measure the “performance of the corporation over a period of time” (The Economist 2009). Since 2012, Walmart has proved that it is continuing to be a success with its sustainability projects; its economic value soared by $40billion (Statista 2017) in 2017 which has aided its environmental and social impacts, reiterating its incentives to “Reducing environmental impacts…[and] Supporting the dignity of workers everywhere” (Corporate Walmart 2017). It is evident that responsible business management is a key component Walmart takes seriously to boost its reputation; as a result, this has helped to benefit its stakeholders consistently over time, giving them boosted income and access to more, better goods, even working conditions which all contribute to sustainability.

Value to stakeholders must also be considered under responsible business management, mostly known as corporate social responsibility which we will refer to as *CSR*. Although there is no definite description, it is understood to be;

*“An attempt by companies to meet the economic, legal, ethical, and philanthropic demands of a given society at a particular point in time”* (Crane and Matten, p.50)

This is highlighted by Carroll’s four-part CSR pyramid (Carroll 2016), showing that economic responsibilities are the foundation required by any business matter, in order for the legal, ethical and philanthropic factors to flourish.

The pyramid covers multiple responsibilities and values that businesses should respect and adhere to, which Volkswagen seemingly failed to do so during its emissions scandal – ongoing since 2015. They admitted to “cheating emissions tests in the US… [with over] 11 million cars worldwide” (BBC News 2015) affected by its dishonest actions: the CSR in this case was a failure to customers who could have lost high values on their vehicles, questioning how important their stakeholders’ values are. Not only did they suffer economically by paying out to those affected, but broke all values laid out by Carroll, showing responsible business management was not respected, leading to a “$2.8bn” (The Telegraph 2017) fine – just in the USA: Volkswagen clearly behaved irresponsibly therefore going against the values of stakeholders and not having the best of their interests.

It has been argued that Volkswagen’s irresponsible actions in the 2015 emissions scandal went against the importance of responsible business management. Freeman’s stakeholder theory argues *for* CSR, with the idea that

“for any business to be successful it has to create value for customers, suppliers, employees, communities and financiers” (YouTube 2009)

In this case, Volkswagen did the opposite of creating value, instead creating havoc for its customers before eventually paying out at least “£12.6bn” (BBC News 2016) by mid-2016, however this didn’t pay to repair its reputation, like any brand can’t. Freeman’s theory shows the organisation had to regain its worth and trust of stakeholders. Whilst Freeman supports CSR, Friedman opposes it, instead claiming;

*“The social responsibility of business is to increase its profits” (The New York Times 1970)*

Every business operates so it can make a profit, however Friedman’s theory goes against stakeholder values which Volkswagen did by adjusting their cars’ emissions; Starbucks were similarly dishonest when caught in a tax-avoidance scheme. The multi-national coffee brand was accused of not paying enough tax in 2016, apparently paying only “£36 million [on] … £1 billion” (Independent 2017) when corporations are expected to pay 19% (GOV.UK 2016) in the UK; some customers would have boycotted the brand, resulting in fewer sales and more time needed to build its reputation, evident when admitting it has now paid “its third straight year of profit in 2016” (Starbucks Corporation 2017), continuing to prove its commitment to being honest. They too, like Volkswagen, have had to consider the importance of responsible business management carefully, but only once their dishonest actions from CSR had been carried out, showing that perhaps Freeman’s theory isn’t quite as relevant as he would have wanted. We understand that businesses intend to make profit, but they should be conscience of their decisions at all times, considering how their stakeholders will be affected and just as importantly, their reputation which can take years to repair.

Business ethics is the third main component of responsible business management, as it addresses ethical dilemmas. : Pfizer behaved unethically in 2010 where one must look at the “issues of right and wrong” (Crane and Matten p.5). Its conduct of delaying entry in the Italian market was addressed when drugs company Ratiopharm filed a complaint, successfully leading to a fine of over €10million in 2012 (Consiglio di Stato 2014) against Pfizer for preventing them from entering the Italian market due to competition. Even though Pfizer’s conduct was not illegal, it can be regarded as poor business practice and going against society’s morals of being fair. As a result, they were punished for their actions, indicating that responsible business management needs to be of more importance to them to show they will behave more ethically, especially as a leading global drugs company with a huge reputation in the industry, they could lose even more money if it were to happen again.

Duska’s *(2000, p112)* view seems to be visible regarding Pfizer’s actions in 2010 believing;

*“Business Ethics is an oxymoron…Business pushes one way, ethics the other”*

It is quite possibly very true as Pfizer tried to do what it could – legally – to be successful in the Italian market, however they were soon caught out and fined, facing judgement from society. The tax scandals of Google, Amazon and Starbucks highlights similar responses from society when they were made aware via social media using the tagline “#boycottstarbucks” (BBC News 2013). These platforms are dangerous for large companies, as information quickly spreads and can encourage others to share the same views. Jackson (1996, p.1) argues that ethics is

*“the study of practices and policies in business, to determine which are ethically defensible and which are not*.”

In light of these, firms taking part in tax-avoidance schemes, despite it not being illegal, it can argued that it is morally wrong and unfair. Their actions damaged their own reputation eventually, with society members protesting on the streets, via social media, by journalists and sometimes MPs, refusing to defend them. Even though such companies show a lack of responsible business management in the first place, they are soon caught for their unethical actions, encouraging them to take it more seriously and to prevent further firms from undertaking such decisions.

Responsible business management holds different amounts of importance to various businesses and their stakeholders. Using multiple theories and case studies, it has been discussed how important this management is to each of them whilst considering the main elements; the triple bottom line – sustainability – and its relevance to multinational companies and their reputation. Value to stakeholders – or corporate social responsibility – and what it means, despite having multiple interpretations and opposing views such as that articulated by Friedman (Clegg et al., 2011) and Freeman (2017). Then there are the moral dilemmas faced by businesses, otherwise known as ethics, determining what is morally right and wrong, especially in the views of society. Overall, it would seem responsible business management is *very* important to businesses as it offers organisations to consider the views of its stakeholders’ and the consequences of their own decisions and actions.

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**APPENDIX**

**Essay Title:** Discuss and analyse the importance of responsible business management in business.

**Module:** CB311:Business Skills and Employability

**Maximum Word Count:** 3000 words