Unit 4:
Strategic Management
Ethics and Social Responsibility
Meaning of strategic management,
Brief idea about SWOT analysis
Ethical issues in management
Brief concept of Corporate social responsibility (CSR)
Brief concept of Sustainable management practices.

Strategic Management

Meaning of Strategic Management:

Strategic Management is all about identification and description of the strategies that managers can carry to achieve better performance and a competitive advantage for their organisation. An organisation is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

The term strategic management is used to refer to the entire scope of strategic-decision making activity in an organisation. Strategic management in a business refers to the planning, management, utilization of resources to define and achieve objectives efficiently. It also includes a review of internal processes and external factors impacting the business. Formulating and implementing strategies allow a company to proceed with its action plan.
The management sets goals on behalf of business shareholders. It then develops strategies (prescriptive model) and puts them into practice (descriptive model). Crucial steps in between include strategy evaluation, resources allocation, competition analysis, and internal structure assessment. Almost all companies, academics, nonprofit organizations, etc., incorporate strategic planning and management to gain a competitive advantage.

Definition:

The following statements offer a number of workable definitions of strategic management:
1. "Strategic management is the process of managing the pursuit of organisational mission while managing the relationship of the organisation to its environment." (James M. Higgins)
2. "Strategic management is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organisation. (John A. Pearce II and Richard B. Robinson, Jr.)
3. "Strategic management is the process of examining both present and future environments, formulating the organisation's objectives and making, implementing and controlling decisions focused on achieving these objectives in the present and future environments." (Garry D. Smith, Danny R. Arnold, Bobby G. Bizzell)
4. "Strategic management is a continuous process that involves attempts to match or fit the organisation with its changing environment in the most advantageous way possible."(Lester A. Digman).

Strategic Management Process:
The basic of strategic management process is to explain about organisational strategy. It involves strategies that are processed by managers to make certain choices which make the organisation to get better performance. It is a regular process which shoots up the business or industries where an organisation is present by appraising its competitors by regular goals for current or future competitors. It contains following four steps:

1. **Environmental Scanning:** It is a technique of gathering, scrutinizing and screening information which could be utilised for strategic purposes by finding internal and external factors which can guide an organisation.

2. **Strategy Formulation:** It is a part of action which plans for correct course of action in order to achieve organisational objectives and purpose. With this, the managers will organise a corporate, business or functional policies.

3. **Strategy Implementation:** It is a way by which a work strategy intends an organisation to make particular plan into action.

4. **Strategy Evaluation:** This is the last process involved in strategy management process where main strategy calculations are done by appraising internal and external factors which may be grass roots of current strategies.

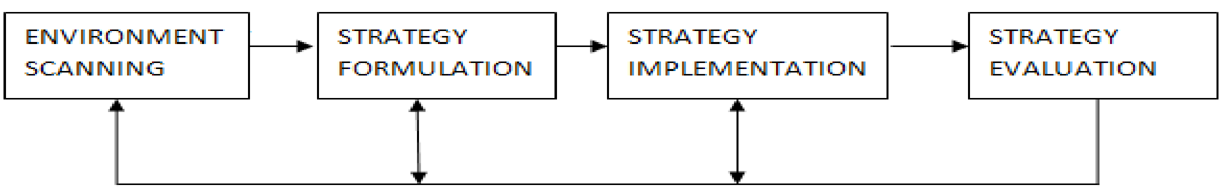

Fig 4.1 Components of Strategic Management Process

It is an on-going process which should realize every component to interact with other components.

Importance of Strategic Management:

1. The significance of strategic management is diverse. It defines an organisation's mission, direction, core competencies and competitive strengths vital to ensure its success.
2. It involves planning and implementing strategies to ensure the long-term growth and success of a company by preventing threats from other market players.
3. Proper strategic management ensures an organisation's ability to adapt, innovate, and align with changing circumstances that can hugely impact its goals.
4. Besides this, strategic management ensures that employees work in harmony to ensure the achievement of organisational goals and also identifies opportunities for them to grow through training and development.

5. Non-financial benefits like;

It provides a way to anticipate future problems and opportunities.

It provides employees with clear objectives and directions for the future of the organisation.

It results in more effective and better performance compared to non-strategic management organisations.

It increases employee satisfaction and motivation.

It results in faster and better decision making.

It results in cost savings.

SWOT:

The introduction of the SWOT concept is historically credited to **Albert Humphrey** alongside his research team during the 1960s and 1970s.

□ **The Stanford Roots (The "SOFT" Precursor)**

While working at the **Stanford Research Institute (SRI)**, Humphrey led a research project funded by Fortune 500 companies to figure out why corporate long-range planning consistently failed.

To solve this, his team created an initial accountability system named **SOFT analysis**:

- **S** – Satisfactory (What is good in the present)
- **O** – Opportunities (What is good in the future)
- **F** – Faults (What is bad in the present)
- **T** – Threats (What is bad in the future)

□ **The Evolution into "SWOT"**

The transition from SOFT to SWOT occurred through a series of iterations:

- **The Name Change (1964):** In 1964, management consultants Urick and Orr presented the model at a seminar in Zurich. They decided to change the "**F**aults" category to "**W**eaknesses", officially coining the acronym **SWOT**.
- **The Modern Matrix (1982):** While Humphrey pioneered the core logic, the famous **2x2 grid matrix** (matching internal vs. external factors) used today was formally published and popularized by theorist **Heinz Weihrich** in 1982.

□ **The Harvard Alternative View**

It is worth noting that some business historians argue a parallel origin story. They credit the foundational concepts of matching internal capabilities with external environments to Harvard Business School professors **Edmund P. Learned, Kenneth Andrews, C. Roland Christensen, and William D. Guth** in their 1965 textbook, *Business Policy: Text and Cases*.

The acronym SWOT stands for Strengths, Weaknesses, Opportunities and Threats. They are considered as internal factors that has certain control. From the above explanation of SWOT, where Opportunities (O) and Threats (T) are known as external factors on which there is no control.

SWOT Analysis:

The SWOT Analysis is applied in case of audit and analysis of overall strategic position of a firm. It is a powerful tool whose focus is on unravelling strategies which could create firm specific business model which could be best viewed as organisational resources. This tool, views all positive and negative factors that can be inside or outside the firm which plays an important role in success of an organisation.

1. Strengths

It is an important quality which allows meeting organisation operations. It is the base on which the success of an organisation depends. It can be tangible or intangible. The important examples of organisational strengths include big financial resources, broad product line, no debt, committed employees, etc.

2. Weaknesses

It is an additional quality which keeps away from effecting operation and attaining full possibilities. These are factors that do not meet the mandatory standards and can be depreciating machinery, insufficient research and development facilities etc. This quality can be controlled by minimizing or by eliminating. It can be seen that in order to conquer on old machinery, the new machineries are purchased.

3. Opportunities

Such type of quality is present inside our environment in which it works. Such quality will come up when an organisation takes the advantage of certain conditions in an environment in order to plan and work on certain strategies which makes us more profitable.

4. Threats

It appears when conditions in an external environment will put on risk in terms of dependability and productivity of an organisational business. The common example of threat will include turbulence among employees, on-going technology change and more competition with over capacity, etc.

Internally focused activities are matters generally under the business's control, including:

- internal operations
- marketing and sales
- financial management
- staffing and human resources
- customer service
- quality assurance.

You can use the SWOT analysis tool to identify current strengths and weaknesses in your internally focused activities.

To assist your analysis, consider:

- conducting quarterly internal reviews
- brainstorming with your team
- checking business processes
- tracking business performance and metrics.

Externally focused activities are the activities that affect your business but are generally outside its control, including:

- supplier operations
- tenders and grants
- competitors
- politics
- the social and natural environment
- global trade
- financial markets.

You can use the SWOT analysis tool to identify opportunities and threats for externally focused activities.

To assist your analysis, you might also consider:

- researching trends, reports and industry data
- reading newspapers and journals
- working with mentors and advisers
- attending business events and conferences
- meeting with suppliers and government
- attending research tours of other states and countries.

Advantages of SWOT Analysis

There are certain advantages of SWOT Analysis:

- Source of information for strategic planning.
- Constructs organisation's strengths.
- Reverse its weaknesses.
- Maximize response to opportunities.
- Overcome organisation's threats. Locating core competencies of firm.
- Setting of objectives for strategic planning.

SWOT Analysis Framework:

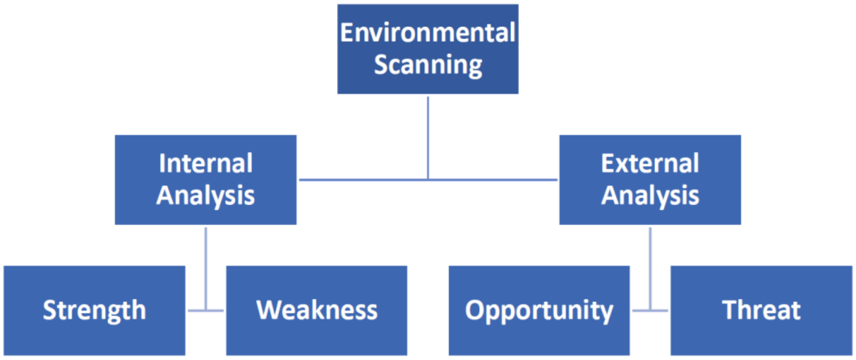

Fig 4.2 SWOT Analysis Framework

Limitations of SWOT Analysis

A SWOT analysis is not a perfect tool—it has some limitations.
A SWOT analysis:

- will not prioritise issues—it must be reviewed to produce meaningful results
- will not provide solutions or offer alternative decisions—you must look at the issues noted and work to generate solutions
- can generate too many ideas but will not help you choose which one is best—when this occurs, try to limit the scope of the analysis to only a few solutions
- can produce a lot of information, but it may not all be useful—you must review the data generated to determine what is relevant.

ETHICS:

Ethics can be defined as a set of principles that helps in segregating fair from unfair. In other words, it is a branch of philosophy that deals with standards for right and wrong behaviour of individuals. Ethics is a moral philosophy that guides individuals to decide what is wrong or right, good or bad and what comprises desirable behaviour in a particular set of social circumstances. In other words, it is a formal study of moral standards and conduct. The word ethics has been derived from the word ethos, which implies culture.

According to Peter F. Drucker: There is only one ethics, one set of rules of morality, one code: that of individual behaviour in which the same rules apply to everyone alike.

According to Philip Wheel Wright: Ethics is the branch of philosophy which is the systematic study of selective choice, of the standards of right and wrong and by which it may ultimately be directed.

Characteristics of Ethics:

Ethics are concerned with setting the moral standards and norms of human behaviour. In an organisation, employees are expected to possess highly defined ethics. This is a strong ethical base of employees that ensures high productivity of both the employees and the organisation.

Thus, it is important for an organisation and its employees to have a deep insight into the characteristics of ethics:

1. Truthfulness

Ethics are said to be related to the true thoughts and actions of an individual or organisation. Maintaining authentic practices is of utmost importance for any organisation. On the contrary, fraudulent acts done in the present may bring huge losses to an organisation in the future.

Satyam Scandal is an example of fraudulent practices of a company that misled the market by misrepresenting its accounts. The profits and cash balances were inflated wrongly to show the company's good health.

2. Accuracy

It implies that organisational information should be correct on ethical grounds and without any mistake. In addition, there should be transparency in every part of the information. This in turn leads to consistent and quality processes, increased operational efficiency and high accountability.

3. Objectivity

Ethics should be clear and objective in nature. For example, ethically, an individual's action should always be seen as right or wrong regardless of the situation or consequences. If an organisation has objective ethics in place, it would help employees to easily adopt the organisation's ethical values without any hindrance.

4. Accountability

The ethical values of an organisation prompt employees to become accountable for their actions. This in turn helps the organisation to carry out its practices ethically.

Ethical Issues in Management

Ethical issues in management encompass a range of challenges that leaders face in ensuring responsible decision-making and behavior within organizations. Key areas include:

1. Corporate Governance
    - Ensuring transparency and accountability in decision-making processes.
    - Balancing the interests of stakeholders, including shareholders, employees, and the community.
2. Fair Treatment of Employees
    - Addressing discrimination and promoting diversity and inclusion.
    - Ensuring fair compensation and benefits.

3. Environmental Responsibility
- Implementing sustainable practices and minimizing environmental impact.
- Complying with regulations related to environmental protection.

4. Ethical Marketing Practices
- Avoiding misleading advertising and ensuring truthful communication.
- Respecting consumer privacy and data protection.

5. Conflict of Interest
- Identifying and managing situations where personal interests may conflict with professional duties.
- Establishing clear policies to guide behavior.

6. Compliance and Legal Issues
- Adhering to laws and regulations governing business practices.
- Promoting a culture of compliance within the organization.

7. Social Responsibility
- Engaging in practices that benefit society and contribute to community well-being.
- Balancing profit motives with ethical considerations.

These issues require ongoing attention and proactive management to foster an ethical organizational culture.

SOCIAL RESPONSIBILITY:

Social responsibility is a doctrine that claims that an entity, whether it is state, government, corporation, organisation or individual, has a responsibility to society. Social responsibility as the manager's responsiveness to public consensus. This means that social responsibilities are bound to differ and would not remain the same for all countries at the same time. These would be determined and would vary from case to case according to the customs, religions, traditions, level of industrialization and a host of other norms and standards about which there is a public agreement at any given time in a given society. Business should be carried out in such a manner that it becomes a profitable venture for everyone from the employees, investors, consumers, to the government and the general public.

Few examples of companies who are engaged in Social Responsibilities like; Bajaj Auto, Larsen and Toubro, Shriram Investments, Tata Steel, Otis Elevator Co India, etc.

According to Davis Social Responsibility means: "Social responsibilities refer to the businessman's decisions and actions taken to reasons at least partially beyond the firm's direct economic or technical interest."

Concept of Corporate Social Responsibility

The concept of Corporate Social Responsibility (CSR) was introduced and formally defined by American economist **Howard Bowen**. He is widely recognized as the **"Father of CSR"**. [

1. The Global Origin (1953)

While wealthy industrial titans like Andrew Carnegie and John D. Rockefeller had been engaging in personal philanthropy since the late 1800s, Bowen translated this practice into a structured corporate philosophy.

- **The Book:** In **1953**, Bowen published his landmark book, ***Social Responsibilities of the Businessman***.
- **The Definition:** He officially coined the term "Corporate Social Responsibility," defining it as the obligation of business leaders to pursue policies, make decisions, and follow lines of action that align with the **objectives and values of society**.
- **The Core Argument:** Bowen noted that large corporations hold massive social and economic power, meaning their corporate choices heavily dictate the standard of living for everyday citizens.

2. Evolution and the "Pyramid of CSR" (1991)

Though Bowen built the foundation, the modern execution framework used by businesses today was introduced by **Dr. Archie Carroll** in 1991. He structured CSR into a famous four-part **Pyramid of CSR**:

1. **Economic:** The obligation to be profitable (the base).
2. **Legal:** The obligation to obey laws and regulations.
3. **Ethical:** The obligation to do what is right, just, and fair.
4. **Philanthropic:** The corporate obligation to contribute resources to the community.

3. Who Introduced CSR in India?

If you are looking at the concept from a domestic lens, CSR evolved along two paths in India:

- **The Corporate Pioneers:** Industrials and visionaries like **J.R.D. Tata** pioneered modern ethical business and community trust building in India decades before it became law.
- **The Legislative Pioneers:** The concept of *mandatory* CSR was introduced to Parliament by the Ministry of Corporate Affairs, driven heavily by **Dr. Bhaskar Chatterjee** (often called the "Architect of India's CSR Law"). This led to India becoming the first country to legally mandate CSR through the Companies Act, 2013.

Here is the complete breakdown of both Archie Carroll's CSR Pyramid and the four distinct historical phases of CSR evolution in India.

Part 1: Dr. Archie Carroll’s Pyramid of CSR (1991)

Dr. Archie Carroll organized Corporate Social Responsibility into four layered building blocks. He argued that a company cannot jump straight to philanthropy without first establishing a stable economic and legal baseline.

```
 /\
/  \    4. Philanthropic (Be a good corporate citizen)
```

```
    /_____\
   /     \   3. Ethical (Do what is right, just, and fair)
  /_________\
 /         \  2. Legal (Obey the law and regulations)
 /_____________\
/            \ 1. Economic (Be profitable; the foundation)
/_________________\
```

1. Economic Responsibility (The Base)

- **Core Rule:** Be profitable.
- **Explanation:** A business is primarily an economic unit. Before it can help society, it must sustain itself by manufacturing products, offering services, creating jobs, and delivering returns to shareholders.

2. Legal Responsibility

- **Core Rule:** Obey the law.
- **Explanation:** Society expects businesses to play by the rules. This layer demands strict compliance with employment laws, environmental regulations, tax mandates, and corporate laws (like India's Section 135).

3. Ethical Responsibility

- **Core Rule:** Be ethical.
- **Explanation:** This goes beyond written legal guidelines. It represents society’s expectation that a company will do what is fair, right, and just, such as ensuring fair pay, adopting sustainable packaging, or shunning deceptive marketing.

4. Philanthropic Responsibility (The Apex)

- **Core Rule:** Be a good corporate citizen.
- **Explanation:** This represents voluntary corporate actions to improve the overall quality of community life. Examples include funding public schools, supporting disaster relief, or building hospitals.

Part 2: The 4 Historical Phases of CSR Evolution in India

India has the oldest continuous tradition of corporate social responsibility in the world, shifting from personal values to mandatory legislation across four eras:

□ **Phase 1: Philanthropy and Charity (1850 – 1914)**

- **Driving Force:** Religious beliefs, family values, and merchant charity.
- **How it worked:** Industrial pioneers like the **Tata, Birla, and Godrej** families built temples, schools, housing, and water wells for their local communities.
- **Focus:** This era was driven purely by family values and sporadic community charity rather than strategic business planning.

□ **Phase 2: Trusteeship & Independence Movement (1914 – 1960)**

- **Driving Force:** Mahatma Gandhi’s philosophy of **"Trusteeship"**.

- **How it worked:** Gandhi urged wealthy business owners to view their enormous capital as a trust held on behalf of the common people.
- **Focus:** Indian businesses aligned with the freedom movement, setting up national institutions, colleges, and training centers to reform and uplift society.

 Phase 3: The Public Sector Era (1960 – 1990)

- **Driving Force:** The rise of a mixed economy, heavy regulation, and Public Sector Undertakings (PSUs).
- **How it worked:** The government introduced strict labor, environmental, and corporate laws.
- **Focus:** Private sector expansion was heavily restricted, and state-owned enterprises (PSUs) took the lead in building massive townships, public infrastructure, and schools across rural India.

 Phase 4: Liberalisation to Mandatory Law (1990 – Present)

- **Driving Force:** Globalization (1991 Economic Reforms) and the **Companies Act, 2013**.
- **How it worked:** India integrated with global markets, adopting international sustainability standards.
- **The Final Transformation:** In 2013, India made global history by shifting CSR from a voluntary ethical option to a strict **statutory mandate (Section 135)** for large corporations.

DEFINITION:

Under the Companies Act, 2013 (specifically Section 135 and the CSR Rules, 2014), Corporate Social Responsibility (CSR) is not defined by a rigid theoretical sentence. Instead, it is legally defined through projects, programs, and activities specified in **Schedule VII** of the Act.

Core Legal Definition

As per the CSR Rules, CSR means and includes projects or programs relating to activities specified in **Schedule VII** of the Act, or those undertaken by the company's Board of Directors in line with the recommendations of its CSR Committee and the official company CSR policy.

Applicability Thresholds (Section 135)

CSR applies to any company during any financial year if it meets any of these three conditions:

- **Net worth:** ₹500 crore or more
- **Turnover:** ₹1,000 crore or more
- **Net profit:** ₹5 crore or more

Key Mandatory Requirements

- **Spending:** Qualifying companies must spend at least **2% of their average net profits** made during the three immediately preceding financial years.
- **CSR Committee:** Eligible companies must form a Board-level CSR Committee.

- **Approved Activities:** Activities must fall under the purview of **Schedule VII**, which are interpreted liberally by the government.

Major Activities Under Schedule VII

- Eradicating hunger, poverty, and malnutrition
- Promoting education, special education, and vocational skills
- Promoting gender equality and empowering women
- Ensuring environmental sustainability and ecological balance
- Protection of national heritage, art, and culture
- Contributions to rural development projects or disaster management

Corporate social responsibility (CSR) is a business model that encourages companies to operate in ways that enhance society and the environment while being accountable to their stakeholders and the public.

CSR is the continuing commitment by the business to behave ethically and contribute to economic development, while improving the quality of life of the workforce and their families as well as of the local community and society at large.

CSR is about business giving back to society.

CSR is the core concern for all companies and part of each company's operations. It focuses on three dimensions of value creation ; profit, people and planet. Companies promote CSR throughout the value creation chain that they are a part of. They take responsibility for social, economic and ecological consequences of their actions and engage in dialogues with those involved in these dimensions. CSR encompasses organisation's commitment to behave in economically and environmentally sustainable manner, while honouring interests of direct stakeholders.

By practicing corporate social responsibility, also called corporate citizenship, companies are aware of how they impact aspects of society, including economic, social, and environmental. Engaging in CSR means a company operates in ways that enhance society and the environment instead of contributing negatively to them.

Types of CSR

- **Environmental responsibility:** Corporate social responsibility is rooted in preserving the environment. A company can pursue environmental stewardship by reducing pollution and emissions in manufacturing, recycling materials, replenishing natural resources like trees, or creating product lines consistent with CSR.
- **Ethical responsibility:** Corporate social responsibility includes acting fairly and ethically. Instances of ethical responsibility include fair treatment of all customers regardless of age, race, culture,

or sexual orientation, favorable pay and benefits for employees, vendor use across demographics, full disclosures, and transparency for investors.

- **Philanthropic responsibility:** CSR requires a company to contribute to society, whether a company donates profit to charities, enters into transactions only with suppliers or vendors that align with the company philanthropically, supports employee philanthropic endeavors, or sponsors fundraising events.
- **Financial responsibility:** A company might make plans to be more environmentally, ethically, and philanthropically focused, however, it must back these plans through financial investments in programs, donations, or product research including research and development for products that encourage sustainability, creating a diverse workforce, or implementing DEI, social awareness, or environmental initiatives.

Benefits of CSR:

- **Protect the interests of stakeholders:** Labour is united into unions which protects their rights. Organisations discharge responsibility towards employees to get their support *Caveat emptor* (let the buyer beware), no more holds true. Consumer redressal cells protect them against anti consumer activities. Social obligation is beneficial for long term survival of the firms. Short term costs are the investment for long run profitability.
- **Long run survival:** Business organizations are powerful institutions. They cannot ignore social problems. They discharge social responsibilities for long term growth.
- **Self enlightenment:** Business is the creation of society. Managers develop public expectations by setting standards of moral and social responsibility. They pay taxes to the Government, dividends to shareholders, fair wages to workers, quality goods to consumers and so on. Rather than law being the cause of social responsibility, firms are socially responsible on their own.
- **Resources:** Business organizations have enormous resources which can be partly used for social problems. Business must work in the best interest of society.
- **Enhanced Reputation:** Companies with strong CSR practices often enjoy a better public image and customer loyalty.
- **Attracting Talent:** Organizations committed to social responsibility can attract and retain employees who value ethical practices.
- **Risk Management:** Engaging in CSR can help mitigate risks related to regulatory compliance and public relations.
- **Professionalization:** In increasing professionalism, managers specialize in operative functions and adopt the code of ethics established by the recognized body. This binds them to social values and the society.

Principles of Corporate Social Responsibility

Companies adhere to the following principles of CSR:

1. **Supply Chain Responsibilities:**

Social responsibilities should cover all the stakeholders irrespective of the relationship (formal or informal), product/service, or geographic locations. These may include suppliers, contractors, alliances etc. Companies must do everything they can to promote CSR practices throughout their chain of operations.

2. **Stakeholder involvement:**

Companies must communicate with stakeholders (workers, suppliers, local populations, consumers, social organizations, public authorities etc.) to get feedback on consequences of company behavior. There should be ongoing exchange of information between company and stakeholders to arrive at mutually accepted agreements about company norms, values, rights and obligations.

3. **Transparency and reporting:**

Companies must be transparent and open with respect to their policies and social conduct. Reporting means informing stakeholders about their conduct and its consequences on other stakeholders. Information can be supplied through :

a) regular public reports
b) assessment reports, annual reports and meetings
c) data and consultation

4. **Independent verification:**

Companies must internally monitor the CSR policies, quality of its reports, management systems and processes. This verification should be carried out by organizations not linked to companies and have full trust of shareholders involved. Outcome of verification procedures should be made public in proper manner.

CONCEPT OF SUSTAINABLE MANAGEMENT PRACTICES

The general concept of "sustainable development" was introduced by the Brundtland Commission (led by Gro Harlem Brundtland) in its 1987 UN report Our Common Future. Applying this specifically to corporate and business development was later championed by Swiss industrialist Stephan Schmidheiny ahead of the 1992 Earth Summit.

Foundations of Sustainable Development

- Brundtland Report (1987): Defined sustainable development as meeting present needs without harming future generations.
- Shift to Commerce: Triggered private sector interest in long-term resource management and environmental protection.

Introduction to Sustainable Business

- Stephan Schmidheiny (1992): Served as chief adviser for business to the UN Earth Summit and popularized the practical merging of commerce and ecology.
- Changing Course (1992): A landmark book by Schmidheiny that coined the idea of "eco-efficiency," showing how businesses create economic value while shrinking environmental footprints.

- Business Council (1992/1995): Led to the creation of the World Business Council for Sustainable Development (WBCSD) to unite major global companies around corporate sustainability.

The structural shift toward **sustainable business development in India** was officially pioneered by **Ratan Tata** and the **Confederation of Indian Industry (CII)** in **1991**.
Concurrently with the global movement ahead of the 1992 Earth Summit, Ratan Tata was chosen to represent India and the region in the newly formed global Business Council for Sustainable Development (BCSD). This sparked a parallel, organized corporate movement within India.

Key Pioneers & Milestones

- **Ratan Tata & CII (1991):** As the former president of the industry body, Tata helped establish a direct domestic counterpart to global eco-efficiency initiatives. This eventually evolved into dedicated bodies like the CII-ITC Centre of Excellence for Sustainable Development.
- **J.R.D. Tata:** Laid the philosophical groundwork decades earlier. He championed ethical capitalism, community health, and social responsibility well before "sustainability" became a corporate buzzword.
- **Mahatma Gandhi's "Trusteeship" Principle:** Formed the cultural basis for Indian corporate responsibility. He urged pre-independence industrial pioneers (like the Birlas, Godrejs, and Bajajs) to treat corporate wealth as a trust held for the welfare of the community.

Institutional Evolution

Milestone / Initiative	Year	Impact on Indian Industry
National Voluntary Guidelines (NVGs)	2011	The Ministry of Corporate Affairs outlined the first official social, economic, and environmental responsibilities for Indian companies.
Mandatory CSR Law	2013	India became the first country to legally mandate that profitable companies spend **2% of their net profits** on social and environmental development.
SEBI BRSR Framework	2021	The Business Responsibility and Sustainability Report (BRSR) mandate forced top listed companies to transparently disclose quantitative ESG metrics.

Meaning
Sustainability means meeting the needs of the present generation without compromising the ability of future generations to meet their own needs.
This definition was popularized in the 1987 Brundtland Report.
Simple Definition

Sustainability means using resources wisely so that economic development, environmental protection, and social well-being are maintained for the long term.

Features of Sustainability

- Long-term thinking
- Efficient use of resources
- Environmental protection
- Social equity
- Ethical business practices
- Economic growth with responsibility

Evolution of Sustainability

Period	**Development**
Before 1950	Focus mainly on industrial growth and profit
1960–1970	Awareness of pollution and environmental damage
1972	United Nations Conference on the Human Environment emphasized environmental protection
1987	Brundtland Report introduced sustainable development
1992	United Nations Conference on Environment and Development promoted global environmental action
2000	Millennium Development Goals
2015	United Nations adopted the 17 Sustainable Development Goals (SDGs)
Present	Businesses increasingly integrate ESG into strategy

Triple Bottom Line (TBL)

The **Triple Bottom Line** was introduced by John Elkington in 1994.
Instead of measuring success only through profit, businesses should focus on:

1. People

Focuses on employees and society.
Examples:

- Fair wages
- Safe workplaces
- Human rights
- Diversity and inclusion
- Community development

2. Planet

Focuses on protecting the environment.
Examples:

- Reduce pollution
- Renewable energy
- Waste management
- Recycling
- Water conservation

3. Profit

Businesses should remain financially successful while operating responsibly.

Examples:

- Sustainable profits
- Innovation
- Cost efficiency
- Long-term growth

Diagram

```
     Sustainability

  PEOPLE   PLANET
      \     /
       \   /
      PROFIT
```

Importance of Triple Bottom Line

- Better corporate reputation
- Customer loyalty
- Reduced business risk
- Long-term profitability
- Improved investor confidence

Sustainability vs CSR

Sustainability	**CSR**
Long-term business strategy	Corporate responsibility activities
Covers environmental, social, and economic dimensions	Primarily social and ethical responsibilities
Integrated into core business	Often separate initiatives
Future-oriented	Often present-focused
Creates long-term value	Builds goodwill and reputation

Example

A company installing solar panels to reduce emissions reflects **sustainability**, while donating to local schools is an example of **CSR**.

ESG Framework

ESG stands for:

- Environmental
- Social
- Governance

Investors increasingly use ESG information to evaluate companies.

Environmental (E)

Measures environmental performance.

Includes:

- Carbon emissions
- Energy use
- Water conservation
- Waste management
- Biodiversity protection

Example:

A company reducing plastic packaging.

Social (S)

Measures how a company treats people.

Includes:

- Employee welfare
- Diversity
- Customer satisfaction
- Community engagement
- Human rights

Example:

Providing equal employment opportunities.

Governance (G)

Measures how a company is managed.

Includes:

- Board independence
- Ethics
- Transparency
- Anti-corruption
- Executive compensation

Example:

Strong internal controls and transparent reporting.

ESG Metrics and Indicators

Examples include:

Environmental

- Carbon emissions
- Water usage
- Energy consumption
- Waste recycled

Social

- Employee turnover
- Workplace accidents
- Gender diversity
- Employee training hours

Governance

- Independent directors
- Board diversity
- Ethics violations
- Audit compliance

Sustainable Development Goals (SDGs)

In 2015, the United Nations adopted **17 Sustainable Development Goals** to be achieved by 2030.

Objectives

- End poverty
- Improve health
- Quality education
- Gender equality
- Climate action
- Sustainable cities
- Responsible consumption
- Peace and justice

The 17 SDGs

1. No Poverty
2. Zero Hunger
3. Good Health and Well-being
4. Quality Education
5. Gender Equality
6. Clean Water and Sanitation
7. Affordable and Clean Energy
8. Decent Work and Economic Growth
9. Industry, Innovation and Infrastructure
10. Reduced Inequalities
11. Sustainable Cities and Communities
12. Responsible Consumption and Production

13. Climate Action
14. Life Below Water
15. Life on Land
16. Peace, Justice and Strong Institutions
17. Partnerships for the Goals

Role of Business in Achieving SDGs

Businesses contribute by:

- Using renewable energy
- Reducing pollution
- Creating decent jobs
- Supporting education
- Practicing ethical sourcing
- Investing in innovation
- Promoting gender equality
- Conserving natural resources

CSR is increasingly seen as integral to a company's long-term success and sustainability.

Meaning:

Sustainable management practices focus on balancing economic, environmental, and social objectives to ensure long-term viability and health of resources and communities.

Key Principles:

- **Resource Efficiency:** Optimize the use of resources to minimize waste and reduce environmental impact.
- **Ecosystem Health:** Protect and restore natural ecosystems to maintain biodiversity and ecosystem services.
- **Social Responsibility:** Engage stakeholders and consider social equity in decision-making processes.
- **Economic Viability:** Ensure that practices are financially sustainable and support local economies.

Implementation Strategies:

- **Sustainable Agriculture:** Use techniques that enhance soil health, reduce chemical inputs, and promote biodiversity.
- **Green Supply Chains:** Incorporate sustainability into procurement and logistics to reduce carbon footprints.
- **Corporate Social Responsibility (CSR)**: Adopt policies that reflect ethical practices and community engagement.

Benefits:

- Enhances resilience to environmental changes.

- Improves brand reputation and customer loyalty.
- Reduces operational costs through efficiency.

Challenges:
- Initial costs may be higher for sustainable practices.
- Requires ongoing education and commitment from all stakeholders.

Sustainable management practices are increasingly recognized as essential for addressing global challenges such as climate change, resource depletion, and social inequality.