

BUSINESS SUSTAINABILITY BUSINESS ETHICS COMPLEMENTING CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

Nicos Timotheou

Chairman Cyprus Institute of Business Ethics, Management Consultant (ex-CEO CYTA)

The stock exchange crisis of the turn of the century and the current financial crisis show that only enterprises whose strategy and operations are based on long term sustainability can thrive and survive in difficult times- those striving for the long term wellbeing of all stakeholders: owners/shareholders/investors, employees, customers, suppliers, associates, regulators and the communities they affect in any way.

The crisis has led citizens to demand responsible business behaviour and corporations and their leaders are becoming more and more aware of the crucial role of trust, quality and integrity in seeking performance excellence, profit and sustainable growth.

These progressive companies formulate detailed strategies and business plans and follow models of excellence which demand the use of key performance indicators (KPIs) and other indices for monitoring their status and the degree of implementation of their plans.

Many of these organizations follow, for example, the European Foundation for Quality Management (EFQM) model and therefore set targets and monitor results for their finances, customers, personnel, associates and society at large, as well as for their leadership, policy and strategy and non-human assets and significantly for their business processes. They manage systematically the knowledge and learning of their human resource and their creativity and innovation.

In an effort to avoid the mistakes of the past, they adopt (willingly or as a regulatory obligation) models for their management practices, such as a Corporate Governance Code and for their environment impact, such as a Corporate Social Responsibility code.

Despite all these systematic approaches, many companies fail to achieve the desired results. *Why?* Simply because strategy, plans and processes are executed by humans – people who, despite their best intentions and efforts, have weaknesses and shortcomings and need continuous education, training and above all leadership, guidance and inspiration – at all levels.

Common sense and research show that in a corporate environment, as in any other kind of human society, work culture and people behaviour are affected and ultimately “formed” through contagious influence of each other and of their business and societal environment - producing quick results for the worse and slow ones for the better!

The question arises: What is missing? The answer is: A Code of Business Ethics and a Model of Business Ethics Excellence.

The answer may appear simple and is indeed easy to utter and somewhat difficult to formulate, but extremely difficult to implement.

Companies known for high ethical standards usually have an ethical code expressing their values and stating that they treat everyone with dignity, don't present misleading information and conscientiously follow rules and regulations. Business ethics may, therefore, be defined as the application of moral and ethical considerations in a business environment.

Research proves that having a moral compass leads to more effective business practices — whether in building sales, retaining employees or reducing litigation and regulation costs. Customers are usually willing to pay premium prices to feel good about the products they buy.

Also, companies that follow certain moral codes attract better people — and these people are often willing to work harder with less compensation. It goes without saying that ethical companies are less likely to undergo the costly scrutiny of courts and regulators. Clearly, there is a relationship between business ethics and business success and sustainable excellence.

A Model of Business Ethics Excellence* (BEE) aims at aligning the continuous upgrading of quality and excellence in a business environment with ethical corporate governance and social responsibility.

It helps align and harmonise policy, strategies, rules, regulations and processes and introduce indices monitoring conformance to the code. It also serves as a common vocabulary and a tool for self-assessment, benchmark and improvement**.

* Developed by the Greek Institute of Business Ethics (www.eben.gr)

** In an effort to help professionals and private and public companies and organizations in Cyprus be systematically informed about business ethics, train internal and external BE auditors, implement a model of BEE, introduce self-assessment and even participate at a local and a European BEE award, the Cyprus Institute for Business Ethics (EBEN CY: www.ebency.org) has recently been registered as a non-profit organisation and accepted as a member of the European Business Ethics Network (EBEN: www.eben-net.org).