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**Samuel O. Idowu**

## **Balanced Scorecard [1]**

**Catalina Soriana Sitnikov**

Initiated almost 20 years ago by Robert Kaplan and David Norton (and further developed by their Palladium Group team), Balanced Scorecard measures organizational performance in four ‘balanced’ perspectives:

- Financial—focuses on “the readily measurable economic consequences of actions already taken”.
- Customer—covers measures that “identify the customer and market segments in which the business unit will compete and the measures of the business unit’s performance in these targeted segments”.
- Internal Business Process—assesses the “critical internal processes in which the organization must excel”.
- Learning & Growth—assesses the “infrastructure that the organization must build to create long-term growth and improvement”.

The Balanced Scorecard transforms the strategy, mission and vision of a company into a broad collection of implementation means that provides the frame for a strategic assessment and management system.

Balanced Scorecard main feature is its progressive nature, as the concept have continuously changed since its initiation. The Balanced Scorecard can be simply referred to as an instrument, viewed from two perspectives, either as a comprehensive management tool or as strategic management tool and instrument.

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S.O. Idowu (✉)  
London, United Kingdom  
e-mail: [s.idowu@londonmet.ac.uk](mailto:s.idowu@londonmet.ac.uk)

C.S. Sitnikov  
University of Craiova, Craiova, Romania

Moreover, the Balanced Scorecard can be viewed as a management system and not only as a performance measurement instrument. Thus, the Balanced Scorecard, largely used within various industrial, governmental, and non-profit organizations worldwide to adjust activities to their vision, mission, and strategy, is a strategic planning and management system that enhances communication both internal and external, and monitors company performance against its strategic goals.

More detailed, Balanced Scorecard is described as a philosophy of management, and as a performance management system. Accordingly, its meanings become more complex. The initial one, enjoying a widespread favour in the beginning of 90s, was focused on generating performance reports, by assembling performance measures based on financial, client, internal processes and learning and growth perspectives. Constantly, this management instrument enhanced becoming the foundation of a performance management system using performance plans from strategic, operational and individual view points as the ground for organizational performance communication, monitoring and improvement.

Balanced Scorecard can be used as a performance assessment instrument, a performance management system or as a strategic and control management system.

- [1] Balanced Scorecard Institute. (2010). Accessed on August 10, 2013, from <http://www.balancedscorecard.org/bscresources/aboutthebalancedscorecard/tabid/55/default.aspx>
- [2] eab group. (2010). *Performance management—Balanced scorecard*. Accessed on August 10, 2013, from <http://www.eabgroup.com.au/en/section/performance-management/balanced-scorecard-i18.html>.
- [3] Kaplan, R. S., & Norton, D. P. (1996). *The balanced scorecard: Translating strategy into action*. Harvard Business Press Books.

## Balanced Scorecard [2]

### João Oliveira

The Balanced Scorecard (BSC) is a strategic performance management tool. The BSC has evolved from a holistic performance measurement system, including both financial and non-financial perspectives, to a more strategically oriented system to support strategy implementation and execution. Surveys consistently confirm the BSC enormous impact, with adoption rates above 50 % for very large companies [1].

The BSC emerged out of a concern that performance measurement was excessively focused on a financial perspective. Kaplan and Norton's BSC proposed a balanced approach, adopting, from one side, a financial perspective, and from

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J. Oliveira  
University of Porto, Porto, Portugal  
e-mail: [joao.oliveira@fep.up.pt](mailto:joao.oliveira@fep.up.pt)

another side, three non-financial perspectives: customers; internal processes; learning and growth [2]. Each perspective has its objectives, measures (both lagging and leading), targets and initiatives. The financial perspective aims to capture how investors view the organisation. The customer perspective identifies the critical factors for customers' perceptions about the organisation and its products. The internal processes perspective identifies the key processes at which the organisation should excel. Finally, the learning and growth perspective addresses the key intangibles, such as human, information or organisational capital. The four perspectives should be integrated in a causal structure: key intangibles improve performance in key processes, in turn improving customers' value and ultimately improving investors' value—retained in the original BSC as the ultimate organisational goal.

Multiple BSC adaptations have been proposed, especially concerning the perspectives content or logic connections, to increase their relevance for each organisation. In particular, public, not-for-profit and non-governmental organisations often adapted the financial and customers perspectives.

Kaplan and Norton developed the BSC, strengthening its linkage with strategy and repositioning it as a performance management tool. They proposed developing 'strategy maps' to visualise and communicate strategy, to bridge the strategic and operational levels, to guide managers' actions and to orient BSC design—including the difficult choice of relevant measures. Additional developments focused on supporting strategy implementation and, recently, strategy execution [3], promoting that formulated strategies can be successfully put into action.

- [1] CIMA. (2009). *Management accounting tools for today and tomorrow*. London: CIMA.
- [2] Kaplan, R. S., & Norton, D. P. (1992). The balanced scorecard—Measures that drive performance. *Harvard Business Review*, 70(1), 71–79.
- [3] Kaplan, R. S., & Norton, D. P. (2008). *The execution premium: Linking strategy to operations for competitive advantage*. Boston, MA: HBP.

## Banks

### Manuel Castelo Branco

The banking sector is instrumental for the functioning of modern capitalist economies. Albeit in indirect manners, it influences economic growth substantially. This is done namely via the crucial roles played in the creation of money and in the allocation of this money to different sectors in the economy. Banking is the prime example of a sector that provides goods and services of a necessary nature, and whose policies and practices are inextricably linked to the public interest, and, as a

consequence, many basic aspects of corporate decision-making are also in the public arena [1]. Banks' contribution to sustainable development is by and large an issue of the day in terms of their social role.

Banks may act either as contributors to sustainable development or as enablers of activities which are detrimental to it. By introducing considerations pertaining to social and environmental conditions in the credit policies (the allocation of money), banks introduce additional requirements regarding the ways the firms they finance are managed [2]. Among other things, they can supply the investments needed for projects contributing to sustainable development and develop new financial products to foment sustainability (like eco-credit cards or environmental technology funds) [3].

On the other hand, business processes within banks also have substantial impacts on the society and the environment. For example, banks can conceive policies and engage in practices to mitigate their environmental impact (e.g., implementing a more environmentally friendly purchasing policy or imposing measures to reduce their office energy costs) [3].

[1] Miles, R. H. (1987). *Managing the corporate social environment*. NJ: Prentice-Hall.

[2] Scholtens, B. (2006). Finance as a driver of corporate social responsibility. *Journal of Business Ethics*, 68, 19–33.

[3] Jeucken, M. (2001). *Sustainable finance and banking: The financial sector and the future of the planet*. London: Earthscan Publications.

## **Basel Committee: Principles for Enhancing Corporate Governance in Banking**

**Samuel O. Idowu**

The Basel Committee on Banking Supervision was set up in an attempt to correct some of the fundamental deficiencies in banking corporate Governance which became apparent during the global financial crisis which commenced in 2008; it issued a set of principles. These principles were designed to enhance sound corporate governance practices at banking organizations. The Basel Committee took the view that the intermediation role of banks is very important and essential for any economy, it realized that difficulties with banks corporate governance practices have serious consequences to the economy and investors' confidence.

From a banking industry perspective, the Committee took the view that corporate governance in the sector should involve the allocation of authority and responsibilities and should involve the following:

- Setting the bank's objectives and strategy
- Determine the bank's risk tolerance/appetite
- Operate the bank's business on a day to day basis
- Protect the interests of depositors, meet shareholder obligations and take into account the interests of other recognized stakeholders and
- Align corporate activities and behavior with the expectation that the bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations.

The principles which set out best practices for banking organization provide guidelines which focus on:

- The role of the board
- The qualifications and composition of the board
- The importance of an independent risk management function including a Chief Risk Officer or equivalent
- The importance of monitoring risks on an ongoing firm-wide and individual entity basis.
- The board's oversight of the compensation systems
- The board and senior management's understanding of the bank's operational structure and risks.

The principles also require that supervisors should regularly evaluate the bank's corporate governance policies and practices in addition to its implementation of the Committee's principles. The Basel Committee is an offshoot of Bank for International Settlements. The Committee is the global standard-setter for prudential regulation of Banks and provides a forum on banking supervisory matters. The Basel Committee is made up of representatives from 27 countries around the world. Its headquarters are in Basel, Switzerland.

[1] Accessed on September 22, 2013, from <http://www.bis.org/publ/bcbs176.htm>

[2] Accessed on September 22, 2013, from <http://www.bis.org/publ/bcbs176.pdf>

## **Basel Declaration on the Control of Hazardous Wastes**

**Gabriela Tigu and Andreea F. Schiopu**

In the early 1980s a new topic appeared on the international environmental agenda—the management of hazardous wastes with its inclusion as one of three priority areas in the United Nations Environment Programme's (UNEP) first Montevideo Programme on Environmental Law in 1981. The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal

(usually referred to as “the Basel Convention”) was adopted in 1989, in response to a public outcry following the discovery of deposits of toxic wastes imported to Africa and other parts of the developing world from abroad in the 1980s [1]. And yet, the Basel Convention is the most comprehensive global environmental agreement on hazardous wastes and other wastes, regulating transboundary movements of hazardous wastes and other wastes [2].

Parties to the Basel Convention have the overall obligation to guarantee that such transboundary movements are minimized and that any transboundary movement is conducted in a manner which will protect human health and the environment [2]. The provisions of the Convention center around the following aims: the reduction of hazardous waste generation and the promotion of environmentally sound management of hazardous wastes, wherever the place of disposal; the restriction of transboundary movements of hazardous wastes except where it is perceived to be in accordance with the principles of environmentally sound management; and a regulatory system applying to cases where transboundary movements are permissible [1].

- [1] United Nations. (2010). *Basel convention on the control of transboundary movements of hazardous wastes and their disposal*. By Katharina Kummer Peiry. United Nations Audiovisual Library of International Law. Accessed on February 15, 2013, from [www.un.org/law/avl](http://www.un.org/law/avl)
- [2] United Nations Environment Programme (UNEP). (2011). *Controlling transboundary movements of hazardous wastes*. Geneva: Secretariat of the Basel Convention, Publishing Service, United Nations.

## Benchmarking

**Patrick K.C. Low and S.L. Ang**

Benchmarking is the search for those best practices that will lead to superior performance of the company. Setting or establishing operating targets based on the best possible industry practices is a critical component in the success of every business [1].

In other words, it is “a way or method of improving business performance by learning from other companies how to do things better, to be ‘the best in the class’”. Benchmarking is like asking, ‘Mirror, mirror on the wall, who is the prettiest (best) of them all?’ Benchmarking is the cornerstone of service excellence and total quality management” [2, 3] However, to improve one’s performance, one must understand and start at the point where one perceives to be in at that moment (through benchmarking). From there, by careful deliberation or decision making on the right best practice and its implementation, this will then be followed by the attainment of the desired end [4].

The benefits of benchmarking [1, 2, 3] in the practise of corporate social responsibility are:

1. It enables the company or person to challenge the ‘status quo’ and provide direction and impetus for further improvement.
2. It reveals performance gaps and promotes competitive awareness.
3. It links operational tactics to corporate vision and strategy and also highlights early warning of competitive advantage.
4. It identifies the best green or CSR practice and becomes the stepping stones for the organisation to obtain breakthrough thinking or change of CSR paradigm.

In this respect, an organisation can benchmark with other organisations in the area of Corporate Social Responsibility (CSR) to be greener, conserve nature and/or advance themselves to be more socially responsible. In short, when benchmarking in CSR, individuals or companies need to ask themselves:

Are we the best in CSR (or in any CSR field, for example, cleanliness, environmental management, etc.)?

Who is the best in CSR?

What makes them the best in CSR?

What can we do to make us the best?

[1] Camp, R. C. (1989). *Benchmarking*. USA: ASQC Quarterly Press.

[2] Low, K. C. P. (2006). *Strategic customer management* (p. 150). Almaty: Caspian Publishing House.

[3] Low, K. C. P. (2002, 2000). *Strategic customer management* (p. 150). Singapore: BusinesscrAFT™ Consultancy.

[4] Low, K. C. P. (2013). *Leading successfully in Asia* (pp. 340). Heidelberg: Springer.

## Biodiversity

### Eila Jeronen

The word biodiversity (biological diversity) means “the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part: this includes diversity within species, between species and of ecosystems. ‘Biological resources’ includes genetic resources, organisms or parts thereof, populations, or any other biotic component of ecosystems with actual or potential use or value for humanity.” [1].

Since the Convention on Biological Diversity was adopted at the Rio “Earth Summit” in 1992, biodiversity has been discussed on three levels: ecosystems, species and genes.

Ecosystem diversity relates to the variety of habitats, biotic communities, ecological processes, and the diversity within ecosystems. An ecosystem is [1]: “a dynamic complex of plant, animal, and micro-organism communities and their non-living environment interacting as a functional unit.” Examples of ecosystems are forests, grasslands and rivers. For a business, an ecosystem perspective focuses on where a company operates within the ecological landscape [2].

Species diversity refers to the variety of species within a region. A species “is a group of individuals that actually or potentially interbreed with each other but not with other such groups” [3]. Species are divided into archaeobacteria, bacteria, protists, fungi, plants, and animals. They provide ecosystem services recycling wastes, purifying water, driving biogeochemical cycles, maintaining an aerobic atmosphere, regulating climate, and generating soil fertility [2].

Genetic diversity refers to the variation of genes within species. Genetic material is [1]: “any material of plant, animal, microbial or other origin containing functional units of heredity.” The corporate sector plays a dominant role in its commercial use [2].

Biodiversity emphasizes the interrelated nature of the living world changing constantly by evolution. It is of value for cultural and recreational purposes.

Understanding of inter-ecosystem interactions is still evolving. Corporations should develop their Biodiversity Action Plans concerning: biodiversity conservation, sustainable use, equitable benefit sharing, strengthening of management, evaluation and reporting systems, and identification of new opportunities [4].

- [1] United Nations (1992). *Convention on biological diversity*. <http://www.cbd.int/doc/legal/cbd-en.pdf>. Accessed on 31 October 2012.
- [2] IUCN, World Business Council for Sustainable Development, Earthwatch Institute. (2002). *Business & Biodiversity—The Handbook for Corporate Action*.
- [3] Dictionary of Science & Technology. Wordsworth Reference (1995).
- [4] Corporate Social Responsibility (2011). *Reporting 2011, Planet*. <http://csrreporting.sanofi.com/web/planet/biodiversity> Accessed on 31 October, 2012.

## Biofuels

### Aysen Muezzinoglu

Biofuels are obtained from biomass. They are carbon-neutral and helpful in climate change mitigation. Among the biomass; wood, tree prunings, sawdust, remainders of field crops, grass cuttings, seeds, short-rotation fibrous crops and herbaceous species, agricultural products of corn, wheat stalks, sugar cane and bagasse, palm, soy, flax, camelina, etc. as well as municipal wastes, waste paper, biologically treated wastewater sludges, wastes from food processing, aquatic plants, harvested kelps and algae, other microbial forms, yeasts, animal wastes, and organic wastes

from industries are included. Biofuels can be solid (direct burning and bio-char), liquid (bio-alcohols, vegetable oil and biodiesel) or gaseous (biogas, bio-syngas and bio-hydrogen). These are either in their natural form as collected or derived from the biomass using several technologies. Efficiencies of production of crops for biofuels per unit land area are highly variable, but among them algae production has by far the highest yield.

Biofuels are named with “generations” showing the level of technological advancement and the source of biomass. In case of the **first generation biofuels**, feedstocks are extracted to yield oils that in turn are converted to biodiesel. In another track, starch or sugar containing crops or wastes are fermented into bioethanol to be used as gasoline replacement. The technological set up of the first generation biofuels dates back to years 2006–2007 although they are still in use. But in the case of first generation biofuels potential conflicts with food production is under criticism. The **second generation biofuels** are defined on basis of ethical concerns related to food-versus-fuel dilemma. In these, cellulosic material can be used as feedstock. With the introduction of thermochemical and biochemical routes, non-edible biomass can now be converted into biofuels. For example, by way of enzymatic hydrolysis of the ligno-cellulosic material, lignin is separated from woody biomass which can be broken into simple sugars and bioethanol is produced. Thermo-chemical route involves gasification of the feed stock under high temperature into synthesis gas. This gas is then transformed into different types of liquid or gaseous fuels, (so-called “synthetic fuels” e.g. BTL-diesel, bio-SNG) [1].

More advanced generations of biofuels are on the way. These will be characterized by the species development for biological feedstocks that are not competing with food growth and with the innovative downstream processes to be used.

[1] IEA. (2011). *OECD IEA biofuels roadmap*. Accessed on June 30, 2013, from <http://www.iea.org/roadmaps/biofuels.asp>

## Biomimicry

### Dirk Reiser

The term biomimicry derives from the Greek words bios (life) and mimesis (to imitate). On occasions other terms such as bionics, bio-inspiration and biognosis are used instead of biomimicry [1]. It appeared as early as 1982 [3], but was popularized by Janine Benyus book *Biomimicry: Innovation inspired by nature* in 1997 [1] and by her international lecture tours [2].

Biomimicry can be defined as ‘The examination of nature, its models, systems, processes, and elements to emulate or take inspiration from in order to solve human

problems.’ [1] Therefore it is argued that it belongs to the professional field of innovation studies [2]. The history of such innovations is long.

Humans always observed nature to learn from it how to solve specific problems. One of the early scientific examples is the study of the flight of birds by Leonardo Da Vinci [1] or the landscape management practices of indigenous people that imitate natural processes. It could therefore be argued that the term is just a word for long established practices. However, biomimics argue that biomimicry is something new, because it formulates methodologies of bio-innovations, works with modern scientific knowledge and observes and analyses not just the shapes of animals but also the functions of their bodies within themselves and their ecosystems.

Some argue that biomimicry is not just ‘eminently compatible with CSR since the innovations that it produces are supposed to be useful from commercial/economic perspectives as well as being sustainable and/or ecofriendly’, but could be promoted to corporations as a way to go green in a profitable manner [2]. These enthusiasts believe that the imitation of ecosystems will allow a transition from a post-Fordist industrialism to a green industrialism where businesses function at peak efficiency as well as economically and environmentally sustainable. Skeptics on the other hand argue that the solutions of the world environmental problems are not based in green innovations, but within political and social change [2].

- [1] Environment and Ecology. (2013). *What is biomimicry?* Accessed on March 8, 2013, from <http://environment-ecology.com/biomimicry-bioneers/367-what-is-biomimicry.html>
- [2] Marshall, A. (2013). Biomimicry. In S. O. Idowu, N. Capaldi, L. Zu, & A. Das Gupta (eds.), *Encyclopedia of corporate social responsibility*. Munich: Springer.
- [3] Merrill, C. L. (1982). *Biomimicry of the dioxygen active site in the copper proteins hemocyanin and cytochrome oxidase*. USA: Rice University.

## Board of Directors

### Maria Aluchna

Board of directors is a highly specialized corporate body which oversees and controls the performance of executives and monitors the functioning of the company. The board of directors should be composed of experienced, well educated and skilled members who facilitate the link between the company and its shareholders [1]. Its main goal is to ensure that shareholder and other stakeholders’ rights are protected, to create sustainable value for the firm and to monitor the effectiveness of executives’ work. The directors evaluate the company and individual board members performance and may support the executives by providing counsel and advice to them. They, however, formulate corporate strategies which executive directors execute

since only executive directors are responsible for running the company's day to day operations. The board of directors also plays an important role in the process of company compliance with legal standards and best practices and in fact bears the ultimate responsibility for the company's performance.

The board directors are tied with shareholders by a special contract and the so called fiduciary duty which includes: duty of care, duty of loyalty and duty of candor. These duties stipulate that the role of the board directors is to act in the best interest of shareholders, to provide for the high quality monitoring of corporate activities, throughout analysis of the corporate materials and efficient performance. That is why directors are accountable to shareholders and may face legal actions in case they fail to fulfill their functions [2].

Empirical research and business practices have identified a set of recommendations for the efficient board work. First, the board should function according to some formal regulations and company bylaws which stipulate the criteria for appointment of board members, calling for meetings, procedures for discussion and voting. Second, the board members should include independent non executive directors whose role in recent years is emphasized as they are believed to assure for objective evaluation of executives, independent decision making and have no conflict of interest. And third, the board work is responsible for setting up various sub-committees which corporate governance code has asked the board to ensure that they are in place. These are the audit committee, remuneration and nomination committee, risk committee and ethics committee depending on the specific needs of the company [3].

[1] Monks, R., Minow, G. (2004). *Corporate governance*. Blackwell.

[2] Joo, T. (2009). *Corporate governance. Law, theory and practice*. Durham: Carolina Academic Press.

[3] Baker, K., Anderson, R. (2010). *Corporate governance. A synthesis of theory, research and practice*. John Wiley & Sons.

## **Bonn Declaration on Education for Sustainable Development**

**Liangrong Zu**

The Bonn Declaration was adopted as the guidelines for the implementation of the UN Decade of Education for Sustainable Development (from 2005 to 2014) at the UNESCO World Conference on Education for Sustainable Development in Bonn on 2 April 2009 [1].

The Declaration analyses the unsustainable development issues and impacts, and as well as the substantial, complex and interlinked development and lifestyle challenges and problems the world faces. It examines the Progress in the UN

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L. Zu

International Training Centre of the ILO, Turin, Italy

Decade of Education for Sustainable Development (ESD) over the past 5 years since 2005, and emphasises the important role of education in promoting sustainable development. ESD can help societies to address different priorities and issues inter alia water, energy, climate change, disaster and risk reduction, loss of biodiversity, food crises, health risks, social vulnerability and insecurity. It is critical for the development of new economic thinking. ESD contributes to creating resilient, healthy and sustainable societies through a systemic and integrated approach. It brings new relevance, quality, meaning and purpose to education and training systems. It involves formal, non-formal and informal education contexts, and all sectors of society in a lifelong learning process.

The Declaration calls for a shared commitment to promoting education for sustainable development at policy level and practice levels. At the policy level, the Declaration requests to promote ESD's contribution to all of education and to achieving quality education; increase public awareness and understanding about sustainable development and ESD; mobilize adequate resources and funding in favour of ESD; re-orient education and training systems to address sustainability concerns through coherent policies at national and local levels, and develop and strengthen existing international, regional and national enabling mechanisms and cooperation for ESD that respect cultural diversity. At the practice level, the Declaration requires to support the incorporation of sustainable development issues using an integrated and systemic approach in formal education as well as in non-formal and informal education at all levels; reorient curriculum and teacher education programmes to integrate ESD into both pre-service and in-service programmes, and develop and extend ESD partnerships to integrate ESD into training, vocational education and workplace learning by involving civil society, public and private sectors, NGOs, and development partners, etc. [2].

- [1] UNESCO World Conference on Education for Sustainable Development—Moving into the Second Half of the UN Decade. Accessed on February 26, 2013, from <http://www.esd-world-conference-2009.org/en/home.html>
- [2] Bonn Declaration. (2009). Accessed on February 26, 2013, from [http://www.esd-world-conference-2009.org/fileadmin/download/ESD2009\\_BonnDeclaration080409.pdf](http://www.esd-world-conference-2009.org/fileadmin/download/ESD2009_BonnDeclaration080409.pdf)

## Bond Yield

**Vijay Lee**

The term 'yield' refers to the rate of return on an investment. The simplest form of bond yield is that on an irredeemable or perpetual bond, such as consols issued by the British government—the yield is simply the annual interest payment on the

bond expressed as a percentage of the market price of the bond. This is known as a ‘flat yield’. Since most bonds are redeemable, the term refers more commonly to the ‘yield to maturity’ or ‘redemption yield’ of a bond. This is a more involved calculation which requires estimation of the internal rate of return on the bond given its current market price (i.e. the outlay needed to invest in the bond), the interest payments on the bonds until maturity, and the face value (i.e. the redemption value) realisable at maturity.

The bond yield can also be thought of as the notional discount rate applied by investors to the expected future cash flows on the bond (interest payments plus redemption value) which results in the bond trading at its current market price. This discount rate varies depending on the perceived risk of the expected cash flows on the bond, and conditions in the capital market. When market interest rates move upwards, the rate of discount applied tends to increase, resulting in bond values falling—and vice versa. For a given change in market interest rates, the resulting change in value will be greater for bonds of longer maturities than for those with shorter maturities.

Bonds with a credit rating below investment grade are only marketable if they offer investors a very high yield—a market for such high yield bonds (also referred to a ‘junk bonds’) developed in the 1980s and is now huge, the relatively low bond yields in this market indicating a potentially serious underpricing of risk. *“When cash deposits pay virtually zero, investors have an incentive to take risks in search of higher returns. That has been good news for the high-yield, or junk, bond market, where companies with poor credit ratings (below the investment grade threshold of BBB) turn for finance.....It is in the nature of the bond markets that, when conditions are good, investors get more relaxed about credit quality. Some observers think that the risks of high-yield bonds are being systematically underestimated”* [1].

[1] The Economist. (2013, October 19). *High-yield bonds: An appetite for junk*.

## Bonus

### Markus Stiglbauer, Patrick Velte, and Julia Wittek

The general understanding of a bonus is something given, paid or received in addition to what is due or ordinary. Primarily used to grant suppliers a retrospective discount off a cost price, bonuses have gained in importance especially as a form of additional compensation beyond an employee’s salary. These bonuses are typically linked to predefined targets and are usually used by companies as an incentive to improve their performance [1]. Additionally, one can find bonuses in the financial

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M. Stiglbauer • J. Wittek

University of Erlangen-Nürnberg, Erlangen-Nürnberg, Germany

P. Velte

Univerity of Hamburg, Hamburg, Germany

sector as bonus shares in the form of extra dividends or free shares of stock which are expected by the investors and the market over and above the usual cash dividends [2].

In the context of corporate social responsibility (CSR), bonus payments especially in terms of executive compensations have become more and more important these days to encourage CSR in firms. As executives' bonuses are usually contingent on short-term financial objectives they are now increasingly used to provide incentives for the management to implement long-term socially responsible goals in a sustainable manner in a company [3].

- [1] Shields, J. (2007). *Managing employee performance and reward: Concepts, practices, strategies*. Cambridge: Cambridge University Press.
- [2] Sarma, S. N. (2004). *Financial economics of bonus shares*. Delhi: Academic Foundation.
- [3] Schafer Mahoney, L., & Thorn, L. (2006). An examination of the structure of executive compensation and corporate social responsibility: A Canadian investigation. *Journal of Business Ethics*, 69, 149–162.

## Bottom of the Pyramid

### Tassilo Schuster and Dirk Holtbrügge

The term “Bottom of the Pyramid” (or “Base of the Pyramid”, BOP), coined by the late C. K. Prahalad, refers to the large share of people living in extreme and moderate poverty. The BOP consists of approximately 4 billion people worldwide with a purchasing power of less than 1,500 US-\$ per year and an aggregated income of 12.5 trillion US-\$ [1]. These people have long been ignored by the private sector and their needs have widely remained untapped by private companies. The key idea of the BOP-concept is that poor people should not only be supported by the government and foreign aid, but that companies can make a fortune at the bottom of the pyramid and simultaneously help the poor on their way out of poverty.

The BOP-concept must be distinguished from similar concepts such as “third world countries”, “least developed countries“, and “low-income countries“ which do not only contain the population that lives in extreme and moderate poverty but also include richer parts of the population. Instead, the BOP-concept argues that the economic and social conditions may vary within a country and that different income segments have to be treated differently [2]. The BOP-concept follows the logic that BOP-segments have common characteristics across different countries which differ significantly from traditional markets. Such characteristics are low individual purchasing power, limited market information, inefficient regulatory

environments, inadequate physical infrastructure, missing knowledge and skills, and restricted access to financial products and services.

In order to cope with the constraining conditions of BOP-markets, companies cannot simply adapt strategies used in other markets, but must develop novel and innovative products, services, and business models [3].

- [1] Prahalad, C. K. (2005). *The fortune at the bottom of the pyramid: Eradicating poverty through profits*. New Delhi, Wharton School Publishing.
- [2] Hahn, R. (2009). The ethical rational of business for the poor—Integrating the concepts bottom of the pyramid, sustainable development, and corporate citizenship. *Journal of Business Ethics*, 84(3), 313–324.
- [3] Schuster, T., & Holtbrügge, D. (2012). Market entry of multinational companies in markets at the bottom of the pyramid: A learning perspective. *International Business Review*, 21(5), 817–830.

## Bottom of the Pyramid-Concept: Prahalad

**Tassilo Schuster and Dirk Holtbrügge**

The term “Bottom of the Pyramid” (or “Base of the Pyramid”, BOP) was coined by the late C. K. Prahalad, an Indian professor of corporate strategy at the University of Michigan and graduate of the Indian Institute of Management Ahmedabad. Prahalad stimulated the idea that private companies can find a potential fortune at the bottom of the pyramid and simultaneously provide the poor with business and employment opportunities, access to products and services, empowerment, self-esteem, and hopes for a better future. The most powerful contribution that Prahalad makes in his path-breaking book “The fortune at the bottom of the pyramid” is that he recognizes that being poor does not automatically mean being excluded from business activities. In fact, people at the bottom of the pyramid trade cash, assets, and labor to meet their basic needs. He explicitly points out that the poor must not be seen as helpless victims who are dependent on charity and foreign aid, but as capable actors who offer huge business opportunities. This idea initiated a paradigm shift in development aid policy, which mainly considered poor as recipients of foreign aid, and in the mindset of private companies, which regarded markets at the bottom of the pyramid as inaccessible and unprofitable [1].

According to Prahalad, private companies, and multinational corporations in particular, should consider the population at the bottom of the pyramid as affluent consumers and target this segment with radically adapted and novel products and services. As the market condition of this segment significantly differs from traditional “high-income” markets, Prahalad proposed 12 business principles including radical product and process innovation, the need for market development and the

inclusion of the local population in order to establish profitable business activities in this segment.

Prahalad's view of markets at the bottom of the pyramid did not remain without critique and subsequent studies provided contrasting perspectives. For example, Karnani stressed the argument to consider the poor as producers and potential employees instead of treating them as consumers [2]. London and Hart promote the idea that companies won't find a fortune at the bottom of the pyramid, but have to create a fortune with the poor [3].

- [1] Prahalad, C.K. (2005). *The fortune at the bottom of the pyramid: Eradicating poverty through profits*. New Delhi, Wharton School Publishing.
- [2] Karnani, A. (2007): The mirage of marketing to the bottom of the pyramid. *California Management Review*, 49(4), 91–111.
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## Brand Management

### Gökçe Özdemir

Brand management is the process of creating, developing and sustaining a memorable and desirable brand. Brands represent a favorable or unfavorable perception of customers and it should be managed by the organizations professionally to survive in the overcrowded market. Thus, branding is about creating a value for the products/services in accordance with a powerful and distinctive strategic vision and should be based on a unique selling proposition to be distinguished from its competitors. Since there are many competing products/services, brand management is about creating strong competitive advantages and thus, maintaining it in the long term. Branding has many benefits not only for the producers but also customers. For instance, if consumers recognize a brand and have some knowledge about it, then they do not have to engage in a lot of additional thought or processing of information to make a product-related decision [1].

Brand management is mainly dependent on creating, developing and keeping a promise that is communicated to the target audience through brand messages. As consistency is a crucial element of effective brand management, stakeholders need to comprehend the appropriate behavior or actions to exhibit when interacting with consumers and these should be based on the brand's core values [2]. Strong brands are powerful and profitable, but there are many challenges and threats to their continuing strength and even their existence [3]. Consequently, the process of brand

management should be planned and implemented attentively and in consistent manner.

- [1] Keller, K. L. (1998). *Strategic brand management: Building, measuring, and managing brand equity*, New Jersey: Prentice-Hall.
- [2] King, C., & Grace, D. (2005). Exploring the role of employees in the delivery of the brand: A case study approach. *Qualitative market research. An International Journal*, 8(3), 277–295.
- [3] Randall, G. (1997). *Branding: A practical guide to planning your strategy*. UK: Kogan Page Limited.

## Bribery

### Bode Akinwande

Bribery is the practice of giving gifts of monetary value to a client or potential customer to persuade their decision [5]. Bribery is a subset of corruption which involves the payment giving or promising of value to a government agent to give favourable preference to the bribe giver [2]. It is a criminal offence, morally wrong and exposes staff of an organisation to the risk of prosecution, unlimited fines and possible imprisonment (up to ten years) and could endanger the firm's reputation.

An example of Bribery Act is the UK Bribery Act 2010 that came into force 1st July 2011 and covers all employees and officers of a given company, temporary workers, consultants, contractors, agents and subsidiaries acting for and on behalf of the company within UK and overseas.

Under the Bribery Act, it is a criminal offence to give bribe, promise or offer a bribe or to request, agree to receive or accept a bribe in the UK or overseas. It categorically stipulates 'it is an offence for a person to offer or provide a financial or other advantage to another person, where the advantage is intended to induce a person to perform improperly a relevant function or activity, or reward them for that improper performance' [4].

In the United States, the Foreign Corrupt Practices Act (FCPA) was initiated in 1977 to restrict American companies from bribing foreign officials and to demand they keep more detailed records of their business transactions to ensure legitimacy [5].

It is not uncommon for business people to use gifts to get favourable treatment from officials. Bribery ideally requires two parties the giver of the bribe, supply, and the receiver of the bribe, demand. Since bribery is a collaboration between two parties and not a theft. The primary moral responsibility, however, rests on the shoulder of the bribe taker. Of course, if the bribe giver uses threats to induce the receiver to take a bribe, that becomes a criminal act in itself [1].

Ethical issues in the business world are vast, and in the emergence of the global markets, bribery and its ethical implications are increasing in importance. The FCPA had effects that were felt well beyond U.S. businesses and have pushed regulation in favour of U.S. policy around the world [5]. Such impact led to the OECD's adoption of a Convention on Combating Bribery of Foreign Public Officials in International Business Transactions in 1997 [3].

- [1] Basu, K. (2011). *Why, for a class of bribes, the act of giving a bribe should be treated as legal?* New Delhi: Chief Economic Adviser, Ministry of Finance, Government of India. Accessed on March 7, 2014, from [http://finmin.nic.in/workingpaper/act\\_giving\\_bribe\\_legal.pdf](http://finmin.nic.in/workingpaper/act_giving_bribe_legal.pdf)
- [2] Moore, E. C. (2007). *Causes of demand for international bribery. Electronic Journal of Business Ethics and Organisation Studies*, 12(2), 18–23.
- [3] OECD. (2010). Convention on combating bribery of foreign public officials in international business transactions and related documents. OECD.
- [4] *The Bribery Act. (2010). Quick start guide.* UK: Ministry of Justice.
- [5] Thompson, K., & Medina, C. (2012). Bribery and controversy in the US and global market. *Undergraduate Review*, 8, 126–132.

## Bribe Payers Index

### Greg Bell

The Bribe Payers Index (BPI) is developed by Transparency International (TI) (Transparency International, 2013). The index is a measure intended to account for the role of firms in providing the financial incentives that enables bribery and corruption around the world [1]. The BPI differs from TI's Corruption Perceptions Index in that the latter ranks countries based on the degree to which corruption is perceived to exist in the public sector. In contrast, the BPI ranks countries based on the likelihood of companies headquartered in that country to bribe abroad. The BPI index is based upon the survey responses of over 3,000 senior business executives in 30 countries about their perceptions of the likelihood of companies from countries they do business with engage in bribery when doing business in the executive's own home country [1]. These countries include Argentina, Austria, Brazil, Chile, China, Czech Republic, Egypt, France, Germany, Ghana, Hong Kong, Hungary, India, Indonesia, Japan, Malaysia, Mexico, Morocco, Nigeria, Pakistan, Philippines, Poland, Russia, Senegal, Singapore, South Africa, South Korea, Turkey, United Kingdom and the United States. The Index is based upon the average score from answers to three questions in the Bribe Payers Survey that relate to how often three different types of bribery were perceived to occur in each sector. The three types include bribes of low-ranking public officials, improper contributions to high-

ranking politicians to achieve influence, also bribery between private companies [1]. The 2011 BPI shows that companies from the Netherlands and Switzerland are seen as least likely to bribe when operating in foreign countries. However, firms from Russia and China are seen as most likely to pay bribes abroad. Firms competing in the agriculture and light manufacturing sectors are considered less likely to pay bribes abroad, whereas utilities and public works and construction firms are more likely to pay bribes abroad.

[1] Transparency International. (2013). Accessed on February 9, 2013, from <http://www.transparency.org/research/bpi/overview>

## Brundtland Report [1]

### Dirk Reiser

The Brundtland Report is a report published by the World Commission on Environment and Development (WCED), also called the Brundtland Commission. Both are named after the chairwoman of the Commission, the former Norwegian Prime Minister, Gro Harlem Brundtland. It evolved from a call by the General Assembly of the United Nations to formulate ‘A global agenda for change’ [1]. The commission was established in 1983 by the United Nations to:

- ‘propose long-term environmental strategies for achieving sustainable development’
- ‘recommend ways concern for the environment may be translated into greater co-operation’ among countries at different development stages
- ‘consider ways and means by which the international community can deal more effectively with environment concerns; and
- ‘help define shared perceptions of long-term environmental issues...to deal successfully with the problems of protecting and enhancing the environment, a long-term agenda’ [1].

In 1987, the commission published the Brundtland Report, also called ‘Our common future’. The report is structured in three main parts: Common concerns, common challenges and common endeavors. In this context, it focuses specifically on interlinked issues regarding population issues, food security, the loss of species and genetic resources, industry, energy and human settlement. In the foreword of the report, Gro Harlem Brundtland stresses that ‘the most urgent task today is to persuade nations of the need to return to multilateralism’ [1] and to further ‘the common understanding and common spirit of responsibility’ [1] to solve the challenges that humanity is facing in these areas.

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D. Reiser  
Cologne Business School, Cologne, Germany  
University of Tasmania, Hobart, Tasmania

Probably one of the most important results is the popularization of the term sustainable development as ‘development which meets the needs of the present without compromising the ability of future generations to meet their own needs’ [1]. Unfortunately humanity has not made as much progress in sustainable development as was hoped for [2] as the implementation of the concept has proven more than difficult as it ‘has not found the political entry points to make real progress’ [3]. Such progress can only be made with a new political deal for advancing the sustainable development agenda [2].

- [1] World Commission on Environment and Development. (1987). *Report of the world commission on environment and development: Our common future*. Accessed on December 2, 2013, from <http://www.un-documents.net/our-common-future.pdf>
- [2] United Nations Department of Economic and Social Affairs. (2012). *Back to our common future. Sustainability in the 21st century (SD21) project*. New York: United Nations. Accessed on March 13, 2013, from [http://sustainabledevelopment.un.org/content/documents/UN-DESA\\_Back\\_Common\\_Future\\_En.pdf](http://sustainabledevelopment.un.org/content/documents/UN-DESA_Back_Common_Future_En.pdf)
- [3] Drexhage, J., & Murphy, D. (2010). *Sustainable development: From Brundtland to Rio 2012*. Background Paper. New York: United Nations.

## Brundtland Report [2]

### Eila Jeronen

The Brundtland report, also known as *Our Common Future*, was published by The World Commission on Environment and Development in 1987 [1]. It proposed “a global agenda for change” in the concept and practices of development, and signalled the urgency of re-thinking our ways of living and governance. It included new ideas such as the notion of equity and justice within and between generations; the idea of developing a shared understanding of the long-term goals for human life on earth; the idea of new governance instruments and of building collective action, and the resoluteness with the need for leadership and building trust with others.

The Brundtland Report stated that “Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs” [1]. At the core of sustainable development is the need to consider “three pillars” together: the environment, society and the economy. These include three interconnected principles: eco-efficiency, inter- and intragenerational social justice and participation in decision-making. Eco-efficiency is based on the concept of creating more goods and services while using fewer resources and creating less waste and

pollution [2]. In the report, the links between environmental degradation, poverty, and inequality formed a major theme. The interconnected nature of sustainable development calls for going beyond geographical or institutional borders to co-ordinate strategies and make good decisions [1].

Many of the ideas of the Brundtland Report are still valid today, e.g. conflict prevention; poverty; growth which is about choice, quality, and sustainability; energy and climate; food security; and urbanisation. “Fulfilling peoples needs of the present and future generations” [1] requires actions that are of the short, medium and long term. There is a growing need for effective international cooperation to manage ecological and economic interdependence. Thus the term sustainable development encompasses the concerns of people working in a wide range of disciplines from sociology to engineering, from geology to mathematics, not only today but also in the future.

- [1] The World Commission on Environment and Development. Report of the World Commission on Environment and Development: Our Common Future. UN Documents Gathering a body of global agreements. <http://www.un-documents.net/wced-ocf.htm>. Accessed on 13 November 2012.

## Buddhist Ethics

### K.C. Patrick Low and S.L. Ang

Dharma, central to Buddhist ethics or morality, regulates life’s every aspect. Buddha appealed only to have found, not invented Dharma which is neither caused by nor under the control of a supreme being; the gods themselves are subject to its laws. Here, Dharma is obvious in the law of karma, which as explained below governs the way moral deeds affect individuals in present and future lives. Living according to Dharma and implementing its requirements can lead to happiness, fulfillment, and salvation; neglecting or transgressing it leads to endless suffering in the cycle of rebirth (*samsara*).

The karma doctrine is about the ethical implications of Dharma, in particular, the consequences of moral behavior. Karma, a natural law, and karmic actions are moral actions; Buddha defined karma as moral choices and the acts consequent upon them. In Buddhism, human beings have free will, and exercise free choice. Self-determining, individuals thus create themselves through their moral choices. By freely (repeatedly) choosing certain behaviors (things), individuals shape their characters, and through their characters, their futures. As one sows an act, one reaps a habit; one sows a habit, one reaps a character; one sows a character, and one reaps a destiny. The process of creating karma may be compared to a potter’s work

molding the clay into a finished shape: the soft clay is one's character. When we make moral choices, we shape our natures for good or bad.

Karma can be good or bad. Good karma brings merits (spiritual capital). Doing good deeds is to gain good karma (merit), a belief in 'merit transference' or that good karma can be shared with others, just like money.

- [1] The Dalai Lama with Mehrotra. (2008). *On happiness, life, living and much more*. Hay House, Inc.
- [2] Low, K. C. P. (2012). Buddhist ethics and corporate social responsibility. In S. O. Idowu (Ed.), *Encyclopaedia of corporate social responsibility*. Berlin, Heidelberg: Springer. doi:[10.1007/978-3-642-28036-8](https://doi.org/10.1007/978-3-642-28036-8)

## Bureaucracy

### Massimiliano Di Bitetto and Paolo D'Anselmi

Mainstream CSR assumes organizations to be perfect and rational. It has been proven, however, that non-profit organizations and not-for-profit units of for-profit organizations pursue objectives that are different from their initial purpose [1, 2]; the technical term for such a non-profit organization or organizational unit is bureaucracy. As used here, this term has none of the negative implications traditionally found in colloquial speech. It is a standard result of social science and organizational sociology that the primary purpose of bureaucracies is to perpetuate themselves and this is not due to deviance on the part of the people working in them or their lack of moral stamina. This is a normative view. Authors have argued that a positive view is one that pursues personal objectives as well as institutional ones. The mainstream criticism is that bureaucrats maximize the total budget of the institution they manage. A concurrent view is that bureaucrats maximize their discretionary budget, i.e., the difference between what is needed to produce sufficient output and the total budget of the organization. This has no ethical implications: well meaning managers also have their own discretionary objectives. Administrative law is based on rational models of bureaucracies; laws and regulations assume that government institutions and private companies will do what the laws prescribe [3]. Reformulated CSR acknowledges bureaucratic behavior and takes it into account within the concept of the accountability of work.

- [1] Niskanen, W. A. (1968). Non-market decision making. The peculiar economics of bureaucracy. *American Economic Review*, 58(2), 293–305.

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M. Di Bitetto  
Consiglio Nazionale delle Ricerche—CNR, Rome, Italy

P. D'Anselmi  
Università di Roma Tor Vergata, Rome, Italy

- [2] Von Mises, L. (1944). *Bureaucracy*. New Haven: Yale University Press.
- [3] Weber, M. (1952). The essentials of bureaucratic organization: An ideal-type construction. In R. K. Merton., et al., (Eds.), *A reader in bureaucracy*. Glencoe: The Free Press.

## Business and the Arts

**Yue S. Ang**

Business and the Arts share similar qualities. These qualities are both tangible and intangible. The tangible qualities of business are its products, services, resources and infrastructure. Its intangible qualities are those in the act of doing business such as logistics, communication and risk allocation or aversion. In business, the tangible qualities are prioritised. The intangible qualities can be outsourced.

The tangible qualities of the Arts include its perfection such as a painting, a sculpture, or architecture. The intangible qualities of the Arts are those which are in the act of doing art such as the trials and errors during production, rehearsals, and the practice of dance movements before its perfection. In Art, it is the intangible qualities which are labour intensive and that they cannot be outsourced for cost efficiency. The Arts are increasingly managed by people who are employing business models [1]. The tangible qualities of the Arts are prioritised over those which are intangible. Thus, a business-focused management favours the kinds of Arts which are established such as Music or Dance Festivals. The kinds of Arts which are experimental are less likely to be sponsored [2].

In some businesses, for example, some banks may also sponsor the arts such as donating paintings or art works to the museums and perhaps also sponsoring the local, schools' or orphanages' art drawing competitions and other art events. And these would be more for their promotion and marketing causes rather than art for art's sake. However, in some ways, such activities do help to bring some level of public awareness of the needs or certain difficulties faced by the local communities as well as some appreciation for the arts and their endeavours.

Perhaps, in the search for Art's perfection, the management have overlooked the intangible qualities of the Arts. The short-term goals of business do not match with the long-term struggle of the Arts before their perfection. In essence, leadership and even corporate social responsibility values are not likely to be found in the management of business as it is being short-term oriented. Leadership values (such as caring, people-centred and integrity) are more likely to be found in the intangible qualities of the Arts because they are focusing on long-term goals and are sustainable [3].

- [1] Lidstrom, B. (2003). *Arts and business—Attitudes towards arts sponsorship*. Swedish Music Festivals Association.
- [2] Lidstrom, B. (2003). *Arts and business—Attitudes towards arts sponsorship*. Swedish Music Festivals Association.
- [3] Caust, J. (2005). Does it matter who is in charge? The influence of the business paradigm on arts leadership and management. *Asia Pacific Journal of Arts & Cultural Management*, 3, 153–165.

## Business Call to Action

### Liangrong Zu

The Business Call to Action (BCtA) is a global initiative that seeks to harness the power of business investments to reduce extreme poverty and improve the lives of millions. BCtA was launched in 2008, aiming to accelerate progress towards the Millennium Development Goals (MDGs) by challenging companies to develop inclusive business models that offer the potential for both commercial success and development impact. BCtA's value-added stems from its ability to provide a global leadership platform and opportunities to share expertise, knowledge, and best practices for market-based approaches to development; initiative development advice and assistance; and Linkages with companies, donors, and other key stakeholders.

The BCtA global leadership platform is supported by the Australian Agency for International Development, the Dutch Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the UK Department for International Development, the US Agency for International Development, the United Nations Development Programme, the United Nations Global Compact, the Clinton Global Initiative and the International Business Leaders Forum.

BCtA member initiatives include pledges to provide access to financial services for more than 57 million people, promote improved health outcomes for 50 million people, and enhance access to energy for 89 million low-income households. Worldwide, 63 companies have responded to the BCtA by making commitments to improve the lives and livelihoods of millions through commercially-viable business ventures that engage low-income people as consumers, producers, suppliers, and distributors of goods and services [1].

- [1] Introduction to BCtA. (2013). Accessed on February 22, 2013, from <http://www.businesscalltoaction.org/about/about-us/>

## Business Ethics

### Özge Can

Business ethics is generally defined as the morality in business environment; a reflection of ethics on the behavior of business organizations. Ethical business values are mostly assessed in relative terms, taking history, culture and other contextual factors into consideration, rather than a set of absolute norms that are valid at anytime and anywhere.

Moral principles, practices and problems regarding a business can be examined at various levels. As such, evaluation of economic systems and of organizational strategies, policies, systems and actions as well as of group and employee behaviors, are all part of the realm of business ethics. Nature of appropriate business behavior, responsibility for the actions of an organization, managing and ensuring ethical behavior throughout a firm, are among key subjects addressed by business ethics.

There are different views and much discussion on what entails “good” business ethics in terms of its focus and consequences. That is, a core issue in business ethics is how businesses should act in an ethically sounded way. Some argue that good ethics means simply following the accepted rules and laws for doing business. According to this, firms are created for the pursuit of specific business goals and they can only try to achieve them [1]. This implies that there is no purpose for judging a firm as ethical or unethical as long as it stays within “the rules of the game”. On the other hand, some argue that the pursuit of economic self-interest by firms and ethical conduct cannot be compromised. Here, ethics is seen to be opposed to business rationality and strategy because each has different and contradicting values [2]. Thus, it represents a skeptical answer to the question whether business ethics is possible in a system of profit seeking.

Yet, a third approach suggests that economic interests and ethical principles can be aligned. Behaving ethically is a primary responsibility of the firm and to ensure ethical behavior, a firm should do more than simply following law. This ethical liability view might be linked with the “ethics pay” arguments underlying several business practices connecting philanthropy and competitive advantage, profits and principles, responsibility and performance.

- [1] Friedman, M. (1982). *Capitalism and freedom*. Chicago: University of Chicago Press.
- [2] Quinn, D., & Jones, T. M. (1995). An agent morality view of business policy. *Academy of Management Review*, 20, 22–42.
- [3] Melé, D. (2009). *Business ethics in action: Seeking human excellence in organizations*. Hants: Palgrave Macmillan.

## Business in the Community [1]

**Ioanna Papasolomou**

Business in the Community (BITC) is a business movement—the largest business-led charity of its kind with a scope to transform businesses and communities locally, nationally and internationally [1]. The charity is driven by a commitment to: (1) build resilient communities, (2) diverse workplaces, and (3) a sustainable future. Building on 30 years of action, BITC is working to shape a new contract between business and society, in order to secure a fairer society and a more sustainable future [2]. Its local, national and international campaigns and programmes engage thousands of businesses in an effort to drive change, to encourage businesses to be more responsible, to achieve greater results through collaboration and to publicly recognize good practice.

The charity is dedicated to create communities in which different stakeholder groups (schools, community and arts organisations, small businesses and social enterprises) cooperate and develop strong sustainable links. It highlights and actively advocates that responsible businesses support and invest in their communities not just through donations but through time, skills, money and expertise. In addition, it encourages its members to focus on five areas which impact in the workplace, marketplace and community. These are:

- [Education and young people](#)
- [Enterprise and culture](#)
- [Tackling unemployment](#)
- [Marketplace sustainability](#)
- [Workplace and employees](#)

According to Adkins (2005) BITC aims at inspiring businesses to increase the quality and extent of their contribution to social and economic regeneration by making corporate social responsibility a core component of business excellence. In its efforts to achieve this aim, in June 1995, the first Cause Related Marketing (CRM) Campaign was formed at the BITC in order to encourage corporations to consider CRM as a strategic part of their marketing mix. In addition to the CRM campaign, numerous programmes have been successfully launched such as: the “Give & Gain Day”, “Ban the Box”, the “Mosaic” mentoring program and many more.

In 2002, BITC developed the Corporate Responsibility Index (CR Index), a systematic approach for managing, measuring and reporting on business responsible practices. The Index was introduced as a public exercise in transparency and as a tool to help companies in systematically measuring, managing and integrating responsible business practice. According to [1], the CR index enables companies to: identify gaps for improvement and reinforce good practice; track progress over time

and drive continuous improvement; benchmark performance against peers and leading practice; engage board members and raise awareness of CR issues internally.

Companies can choose to use the tool on a public or private basis.

- **Public participation** is for companies who want to be included in the annual CR Index ranking and demonstrate a commitment to transparently improve their social and environmental performance.
- **Private participation** is designed for companies not ready to disclose their performance and focuses on providing guidance and feedback help organisations better integrate and improve their CR performance.

The CR Index is founded on a framework that is built around the following areas:

- Corporate Strategy, that focuses on the key corporate responsibility risks and opportunities to the business and how these are identified and addressed by senior level management.
- Integration that addresses how firms embed, organise and manage corporate responsibility into their operations through performance management, effective stakeholder engagement and reporting.
- Management that concentrates on the ways firms manage their risks and opportunities in the areas of community, environment, marketplace and workplace.
- Performance and Impact that requires corporations to report performance in a range of social and environmental impacts areas.

- [1] Business in the Community. (2013). Accessed on April 12, 2013, from <http://www.bitc.org.uk>
- [2] Business in the Community. (2014). Accessed on February 27, 2014, from <http://www.bitc.org.uk/about-us>
- [3] Adkins, S. (2005). Cause related marketing: Who cares wins. Burlington: Elsevier Butterworth Heinemann.

## Business in the Community (BItC) UK [2]

**Samuel O. Idowu**

Business in the Community (BItC) was created in 1982 following a series of inner city riots which took place in the United Kingdom—Toxteth (July 1981) and Brixton (April 1982) and high levels of unemployment which faced the UK economy in the 1980s and was responsible for these riots. The Tory government of Margaret Thatcher invited a group of US business leaders from Detroit and

Baltimore who had been involved in the urban regeneration of these two American cities in the 1970s to share their experiences with their British counterparts. Since its creation, BItC has mobilized and worked with leaders to help find solutions to economic and social problems affecting many of the most deprived communities around the UK.

Business in the Community (BItC) is a business-led charity focused on promoting responsible business practice. The charity has about 800 company members and about 10,700 companies engaged in its campaigns worldwide. There are about 350 employees working for the charity. The BItC has 11 regional teams and about 160 global partners. It is one of the HRH the Prince of Wales' charities and the Prince of Wales is its President.

The charity is governed by a Board of Trustees whose role is to determine its mission and purpose whilst guarding its ethos and values. Its senior management team is led by a CEO who at the time of compiling this entry is Stephen Howard.

The charity works with companies both in the UK and overseas to take action and create greater impact in the following areas:

- Education and young people
- Enterprise and culture
- Workplace and employees
- Tackling unemployment
- Marketplace and sustainability

In general terms, the BItC prides itself in being a champion in the drive to improve people's lives in communities.

In the area of transforming business, the BItC notes the following as its core areas where it has successfully helped to integrate responsible business practices and provide a range of practical support:

- Research and resources
- Benchmarking and recognition
- Training and advice
- Brokerage, Networking and events

- [1] BItC. Accessed on July 30, 2013, from <http://www.bitc.org.uk/about-us/who-we-are>
- [2] Idowu, S. O. (2013). Business in the community (UK + Derivatives). In encyclopedia of corporate social responsibility (pp. 262–264). Berlin Heidelberg: Springer.

## Business Judgment Rule

**Markus Stiglbauer, Patrick Velte, and Julia Wittek**

The business judgment rule (BJR) is a judicially created, rebuttable presumption that business decisions of corporate directors were made honestly and in good faith. It is a United States case law-derived concept in corporation law whereby the directors of a corporation are clothed with the presumption, which the law accords to them, of being motivated in their conduct by a bona fide regard for the interests of the corporation whose affairs the stockholders have committed to their charge. To challenge the actions of a corporation's board of directors, a plaintiff assumes the burden of providing evidence that directors, in reaching their challenged decision, breached any one of the triads of their fiduciary duty. These are good faith, loyalty, or due care [1].

Thus this presumption protects managers from charges of personal liability due to wrong decision making on condition that they have made their judgment in good faith for a proper purpose, they did not have a material personal interest in the subject matter of the judgment, they were reasonably informed about the subject matter and they rationally believed that the judgment was in the best interest of the corporation. In summary the business judgment rule is primarily meant for directors' protection but also intends to prevent acts of gross negligence by the executive board. However, it has to be pointed out that it is argued that the introduction of the BJR has extended the liability-free area for board members due to the vague wording of the article in some places, e. g. reasonably informed [2].

[1] Reda, J. F., Reifler, S., & Thatcher, L. G. (eds.) (2008). *Compensation committee handbook*. Hoboken: John Wiley & Sons.

[2] Cohen, S. (2012). Promoting ethical judgment in an organisational context. *Journal of Business Ethics*, 8 November 2012, 1–11.

## Business Strategy

**Anne Burke**

Strategy in general can be defined as a comprehensive master plan stating how an enterprise will achieve its mission and objectives. Strategy in its widest sense has been described as being about the alignment or matching of an enterprise's resources with environmental threats and opportunities. Strategy can be seen as a pattern or a plan that integrates an enterprise's major goals, policies, and action sequences building up to a cohesive whole [1]. Strategy comprises a framework that contains an integrated set of steps aimed at increasing the long-term value and productivity of an enterprise relative to its competitors, which ensures that the enterprise makes the best use of its resources and adequately compensates for its weaknesses.

Two main classifications of strategy are: Corporate strategy (concerning inter-relationships among enterprises) and Business strategy (focusing on deploying a strategy at a unit or product level that maximises the enterprise unit or product's comparative advantage to best compete in the marketplace) [2].

Corporate strategy is described as referring to the enterprise's choice of business, market and its future direction and performance, and consequently it defines the overall business scope and direction of the enterprise whilst business strategy deals with the achievement of a sustainable competitive advantage in a specific market [3].

In essence, the business strategy is concerned with establishing the actions and the approaches to produce successful performance in one specific market. The key focus with a business strategy is developing responses to changing market circumstances and initiating actions to strengthen market position, build competitive advantage, and develop strong competitive capabilities.

In most large enterprises, the board of directors/supervisory delegate considerable strategy-making decision to the executive directors of each specific market, generally permitting them the freedom to develop a business strategy suited to their particular market and competitive circumstances and holding them answerable for successful performance. However, the task of developing a diversified enterprise's corporate strategy generally rests with the board of directors/supervisory board.

- [1] Mintzberg H. (1973). Strategy-making in three modes. *California Management Review*, 16(2): 44–53.
- [2] Henderson, J. C. (1990). Plugging into strategic partnerships: The critical IS connection. *Sloan Management Review*, 31(3):7–18.
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## Butterfly Effect

**Liangrong Zu**

The butterfly effect is a metaphor that encapsulates the concept of sensitive dependence on initial conditions in chaos theory, namely that small differences in the initial condition of a dynamical system may produce large variations in the long term behavior of the system. It is a term that commonly interpreted to mean that small disturbances in the atmosphere may become amplified to give rise to large (or even catastrophic) effects, as might be suggested by chaos theory. The phrase “butterfly effect” was coined by Edward Lorenz, an American mathematician and meteorologist, and a pioneer of chaos theory in 1972 in his paper, ‘Predictability: Does the flap of a butterfly’s wings in Brazil set off a tornado in Texas?’ [1].

In the field of corporate social responsibility (CSR), the butterfly effect has become a metaphor for the seemingly insignificant events that can have large, widespread social and environmental consequences. Growing interdependence and interconnectedness have amplified risks and opportunities for consumers, employees, businesses, and governments, particularly civil society organizations. As a result, issues that were once peripheral or local now have global impact. CSR butterfly effect describes how a slight change in initial social and environmental conditions can lead to drastically different outcomes in the worldwide. For example, the flap of a butterfly’s wings in the scandal of sweatshops in Nike in the middle of 1990s was responsible for the boycott and bad reputation all over the world.

The butterfly effect takes place under two conditions: the system is nonlinear and each state of the system is determined by the previous state. In other words, the output at each moment is repeatedly entered back into the system for another cycle through the mathematical functions that determine the system.

- [1] Edward Norton Lorenz. (1972). Predictability: Does the flap of a butterfly’s wings in Brazil set off a Tornado in Texas? Speech at the American Academy for the Advancement of Science.

Dictionary of Corporate Social Responsibility

CSR, Sustainability, Ethics and Governance

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