Chapter 7

Ethical Consideration in Sustainable Business:

A Quadruple Bottom Line Concept

Vera Oktari
https://orcid.org/0000-0002-2212-6355
Universitas Riau, Indonesia

Noorlailie Soewarno
Universitas Airlangga, Indonesia

Alfa Rahmiati
Universitas Airlangga, Indonesia

Nurazlina Nurazlina
Universitas Riau, Indonesia

Jonnius Jonnius
Universitas Islam Negeri Sultan Syarif Kasim, Indonesia

Feriza Putri Hasanah
Independent Researcher, Indonesia

Desmiyawati Desmiyawati
Universitas Riau, Indonesia

ABSTRACT

According to stakeholder theory, a company is not only an entity that operates to achieve the goals of the organization itself, but must also be able to provide benefits for its stakeholders. Companies need to pay attention to their responsibilities to stakeholders to create value for the company. The creation and fulfilment of the wishes of the company's stakeholders must ultimately be a goal for the company. Normative Stakeholder Theory provides an explanation of the issue of moral obligations of company managers with the basic principle that all stakeholders have intrinsic moral values, where each stakeholder has their own values and has nothing to do with the values brought by other stakeholders. The term Triple Bottom Line refers to foundation of thinking in accounting and finance to explain and assess sustainability. This concept requires companies not only to attach importance to economic profits, but also to be socially and environmentally responsible, become Quadruple Bottom Line concept with adding governance as the fourth pillar, in term to handle ethical issues.

DOI: 10.4018/979-8-3373-0608-7.ch007

INTRODUCTION

The human population has increased over time. This is what causes the times to develop rapidly so that many aspects are considered to meet human needs. Economics is one of the important aspects that regulates the use of resources to meet the needs of life. The existence of a company is a supporting factor in the economic growth of the community.

A company can be said to be an ideal company if it implements sustainable business. In creating a sustainable business, companies need individuals, groups, and organizations to achieve their goals in order to get maximum profits. These profits are a measure of success in a business so that it affects the company's performance.

However, nowadays to make a profit is not only by trying to make a profit, but there are several non-financial factors (such as society, government, media, environment, etc.) that affect the company's performance. This is because this non-financial factor affects the company's image. As a result, the company needs a way to meet the needs of the parties involved. In other words, a reputable company will have long-term value.

The existence of diverse needs in an individual, group, or organization, makes companies need strategies to meet the interests of these parties. The strategy aims to better understand what the company will do so that it gets satisfactory results. This understanding is needed so that it does not overlap so that it can be felt by all parties involved. Therefore, a concept is needed that can be a reference for the company in creating that value.

Sustainability is a concept of sustainability to meet current needs without sacrificing the capabilities of future generations. Sustainability is used so that the fulfillment of the needs of related parties is carried out evenly so that there is no “jealousy” due to the company's inefficiency in using resources. By maintaining a balance between the parties involved, it will create harmony so that the company will have a sustainable business and have a positive contribution to future generations.

The implementation of sustainability is basically the same as fulfilling the wishes of stakeholders. Stakeholders are an interaction between individuals, groups, and organizations that can directly or indirectly affect the company's performance. This is in line with Freeman's opinion in his book *Strategic Management: A Stakeholder Approach* (1984) which explains that the relationship between a company and these individuals, groups, and organizations can influence and be influenced by the company's decision-making.

STAKEHOLDER GROUPING

Each stakeholder analysis can be carried out based on classification. Stakeholder classification is a form of classification of individuals and groups based on certain characteristics that can be seen from their influence, interests, or relationship with the company. Stakeholder classification aims to create the right strategy and reduce the risks that occur for the company. This classification consists of two types, namely internal stakeholders and external stakeholders.

Internal stakeholders are individuals or groups that are within the organization and are directly involved in the company's operational activities. This group consists of employees, management, and shareholders who have a direct interest in the outcome of decisions and policies taken by the company. Internal stakeholders influence how the organization runs and how the company operates on a day-to-

Related Content