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RESEARCH AND PRACTICE OF BUSINESS ETHICS: INDIAN CASE OF SHREYANS PAPER MILLS LTD.

Summary. Business enterprises are expected to meet standards of responsible business conduct that go beyond what had been expected traditionally. The study of business ethics needs to be probed at individual as well as organizational level. Business decisions are made by individuals making up the business, thus a number of factors affect ethical behavior in organizations. At the organization level it will focus on the role of organizational policies, practices, culture and business ethics internally and externally. After reviewing literature on business ethics in Western as well as Indian contexts the chapter presents the case of a private firm, Shreyans Paper Mills Ltd. where ethical business practices have been institutionalized.

Established in 1979 and listed on Stock Exchange of India Shreyans Paper Mills Ltd manufactures writing and printing paper from non-conventional agro-based raw materials to the tune of 37,000 mts per annum at two locations in Punjab, India. The company is operating with a wide product mix with well accepted quality in the market based on non-conventional raw materials. Shreyans, as a responsible corporate citizen, strongly adheres to corporate governance principles to ensure that the resources of the company are used entrusted to generate value for its stakeholders. Apart from this, it is a recipient of 'Best Productivity Award' from Government of India, Labor Department in the years 1987-1988, 1988-1989 and 1989-1990. The case exemplifies how a company has enhanced its brand image and has achieved sustainable business growth with ethical business practices and concern for stakeholders.

Keywords: Business ethics, Business Ethics in the Indian Context, Indian case on Business Ethics, CSR in India

BADANIA I PRAKTYKA W ZAKRESIE ETYKI BIZNESU: PRZYKŁAD INDYJSKI PRZEDSIĘBIORSTWA SHREYANS PAPER MILLS LTD.

Streszczenie. Współcześnie oczekujemy od przedsiębiorstw wypełniania standardów odpowiedzialnego postępowania w biznesie, które wykracza poza dotychczasowe, tradycyjne oczekiwania. Studiowanie etyki biznesu wymaga zarówno badań poszczególnych jednostek, osób, jak również badań realizowanych na poziomie organizacyjnym. Decyzje biznesowe są podejmowane przez jednostki tworzące, inicjujące określoną działalność, jednak liczne czynniki wpływają na zachowania etyczne w organizacjach. Na poziomie organizacyjnym uwzględniają one rolę organizacyjnej polityki, praktyk, kultury oraz etyki biznesu o charakterze wewnętrznym i zewnętrznym. Niniejszy rozdział, poza przeglądem literatury przedmiotu nt. etyki biznesu w świecie Zachodnim, jak i w kontekście indyjskim, prezentuje również przypadek prywatnego przedsiębiorstwa – Shreyans Paper Mills Ltd., gdzie etyczne praktyki biznesowe zostały zinstytucjonalizowane.

Przedsiębiorstwo zostało utworzone w 1979 roku i jest notowane na indyjskiej giełdzie. Shreyans Paper Mills Ltd. jest wytwórcą papieru produkowanego z niekonwencjonalnych surowców rolnych w ilości 37 tys. m rocznie w dwóch lokalizacjach w Pendźabie w Indiach. Przedsiębiorstwo działa w szerokim asortymencie produktów o uznanej jakości na rynku surowców niekonwencjonalnych. Shreyans, jako odpowiedzialny obywatel, bardzo przestrzega zasad ładu korporacyjnego, zapewniając, iż powierzone zasoby przedsiębiorstwa są wykorzystywane dla tworzenia wartości dla jego interesariuszy. Ponadto, jest to laureat nagrody „Best Productivity Award” (Nagroda dla najlepszej wydajności) przyznawanej przez rząd Indii, Departament Pracy w latach 1987-1988, 1988-1989 oraz 1989-1990. Omawiany przypadek stanowi przykład wzmocnienia przez firmę wizerunku marki oraz osiągnięcia wzrostu zrównoważonego biznesu za pomocą etycznych praktyk w biznesie i troski o interesariuszy.

Słowa kluczowe: etyka biznesu, etyka biznesu w kontekście indyjskim, indyjski przypadek w zakresie etyki biznesu, społeczna odpowiedzialność przedsiębiorstw w Indiach

Business ethics, a specialized field of applied ethics, is concerned with ethical rules and principles and moral or ethical problems faced by people in a commercial or business context.¹ It can be described as written or unwritten codes of principles and values that govern decisions and actions relating to business. Some of the areas in which business ethics are commonly applied are: a) finance and accounting, b) sales and marketing c) human resource management d) corporate governance and e) environmental protection. An organization is expected to conduct its business in line with the highest standards of business ethics, human values, and compliance with law, integrity and professional conduct.

¹ www.wordiq.com/definition/Business_ethics.

In case of finance and accounting it relates to financial analysis, accounting, revenue management, insider trading, fraudulent financial dealings, influence peddling and corruption. In the realm of sales and marketing it is concerned with pricing a product or service, marketing, advertising, negative campaigning, price discrimination and spamming. In case of human resource management it includes equal opportunities to its employees (irrespective of race, religion, caste, and gender), executive compensation, occupational safety and health, sexual harassment and whistle blowing. Ethical corporate governance requires positive moral environment with fiduciary responsibilities, integrity, transparency and responsibility towards all the stake holders. An organization is expected to be a corporate citizen giving due importance to green management and triple bottom line (people, profit and planet). In this era of increased global warming, one is required to be mindful of the environment. Businesses should ensure equitable use of resources so that environment is not damaged and future generations are left with enough means to meet their needs. It requires ensuring environment protection and increasing the quality of life, while allowing economic development.

Disregard for the above has led to downfall of a number of organizations viz., Enron, WorldCom and others. Global financial meltdown, to a considerable extent, is the result of ethical deficit (Wong, 2002). Realizing the importance of ethics in business a number of researchers have studied this phenomenon and one of the most researched areas during the past decade and a half has been environmentalism besides ethical codes, ethical culture and ethical issues.

1. Researches on Business Ethics

Business ethics has been one of the most debatable subjects in business the world over. However, research in the field of business ethics received attention since 1980s. The initial work focused on conflict of interest (White and Montgomery, 1980), compliance with US federal laws (Sanderson and Varner, 1984) affirmative action (Benson, 1989), introduction of corporate ethical codes (Stevens, 1996) which was 'legalistic' in nature and consequently a large number of corporations adopted these. A study of European and British codes (Langlois and Schelgelmilch, 1990) revealed that American codes focused more on government and customer relations compared to European and British codes. Researches (Mathews, 1987; Cleek and Leonard, 1998; Loe et.al., 2000; Schwartz, 2002) have yielded mixed results about the existence of ethical codes unless these were well communicated in organizations (Weeks and Nantel, 1992) and the organization had a culture of ethical behavior. Merely existence of the code does not ensure ethical behavior is evident from the

fact that Enron had 65-page Code of Ethics Handbook issued to its employees. Later researches extended to diverse areas as the connotation of ethics expanded.

The seminal work of Hosmer (1994) posited, “Ethical principles are not subjective measures that vary with cultural, social or economic conditions; they are objective statements that transcend countries, religions and times. They are the basic rules or first principles that have been proposed to ensure a ‘good’ society”. A number of reasons have been cited by researches for introducing ethics in corporate strategy, some of these are: public good (Learned et. al., 1965), foundation of ethical reasoning (Freeman and Gilbert, 1988), mission statements indicating organization’s intentions (Stevens, 1994) enhancing organizational reputation (Dollinger et al., 1997; Shamshie, 2003); Ferguson et. al, 2000; Roberts and Dowling, 2002) and corporate social responsibility (Waddock and Graves, 1998; Mc Williams and Siegel, 2000; Kassinis and Vafeas, 2002; and Kaptein, 2004)). Some studies have focused on female CEOs (Daily et.al, 1999) and responsibilities towards stakeholders (Kaptein and Wempe, 2002; Nijhof, et. al., 2003) and code of conduct to regulate labor relations (Soobczak, 2003).

Another area which has received attention in recent years has been effective communication of ethical codes and their impact. It was found that codes are effective when these are relevant, readable and written in positive form (Schwartz, 2004). Also, organizational climate embracing ethical codes and leaders communicating and displaying ethical behaviour make considerable difference (Trevino and Weaver, 2003). Research yields that when code violations in organizations are not reported, these result in anger, frustration and cynicism (Nitsch et. al. 2005) and sensitivity to fairness issues (Kickup, 2005). On the contrary when a leader follows ethical codes and ensures justice it builds trust and other members become committed to the code (Scalet, 2006); Schwartz, Dunfee and Kline (2005) recommend that corporate boards “need to set the tone in the organization”. Tenbrunsel (2009) has drawn attention of scholars to the issues from accounting, finance, management some of which are – practices adopted in initial public offerings (IPOs), communalities in codes of ethics between firms which are merely copied, issues concerning corporate governance and the responsibility of Board of Directors.

2. Business Ethics in the Indian Context

In ancient Indian literature a lot has been written about personal ethics and values. Kautilya, a teacher at the ancient Nalanda University and Prime Minister to Maurya King in his famous treatise on management ‘Arthashastra’ (written in 3000 BC) has mentioned “In the happiness of the subjects lies the King’s happiness; in their welfare his welfare.” Swami

Vivekanand in his writings has emphasized that means to work as important as the end itself. In the field of business very few researches have been done in India and most of these relate to corporate social responsibility (CSR) though pioneering efforts in CSR were made in the 19th century by Tata group which was founded in 1868. Mahatma Gandhi, father of the nation influenced many corporates to contribute to socio-economic development and nation building. Thus social responsibility was discharged through corporate philanthropy by offering donations in cash and kind for provision of services like hospitals, schools etc. A number of labor laws and management principles were introduced after India's independence from the British rule in 1947 (McShane, Glinow and Sharma, 2008). State sponsored corporate philanthropy existed in the country for decades and but in 2010 the central Government through its Department of Public Enterprises has issued guidelines to all the public sector enterprises in India to have well defined policy for CSR and allocate funds for it. Constitution of India provides for social justice and equity in all the organizations and there is reservation for socially disadvantaged groups labeled as scheduled caste and scheduled tribes and physically challenged in government jobs. There is legislation about minimum wages, payment of wages and now strict legislation against environment pollution. Also, awards have been instituted for organizations since 1999 by Business World Federation of Indian Chamber of Commerce and Industry and many other professional bodies to promote and recognize efforts of industry in the field of CSR. Organizations have been participating in these competitions actively to build their brand image. Efforts in the field of CSR in large and medium enterprises have been recorded by (Kumar et al, 2001; British Council et. al, 2002; Arora and Puranik, 2004; Sood and Arora, 2006; Mitra, 2007 and BCCI, 2007). Researches in large organizations by Fisher, Shirole and Bhupatkar (2001) and Monga (2005) have studied value orientation and ethical behaviour of Indian managers, however, in case of small and medium enterprises Tarun (2004) has observed that philosophy and value system of the owners play an important role in deciding the CSR activities.

The case of Shreyans Paper Mills Ltd. exemplifies how an organization in the private sector can build reputation and achieve business growth by following ethical practices.

3. Case: Shreyans Paper Mills Ltd.

The Context

The current millennium is said to be the knowledge millennium, therefore, the demand for paper would continue to increase in the times to come. In view of paper industry's strategic role for the society and also for the overall industrial growth it is necessary that the paper industry performs well (www.economywatch.com). The Indian Paper Industry accounts for

about 1.6% of the world's production of paper and paperboard and is among the top 15 global players with an output of around 8 millions tones per year. The estimated turnover of the industry is approximately INR 25,000 crores (US\$5.95 billion) and its contribution to the exchequer is around INR 2918 crores (US\$ 0.69 billion). There are about 515 units engaged in the manufacture of paper and paperboards and newsprint in India at present. The industry provides employment to more than 0.12 million directly and 0.34 million people indirectly. Most of the varieties of paper and paperboards required for the country are manufactured in India and import is limited to only certain '*specialty*' papers. However, in order to meet a part of its raw material requirements, the industry has to rely on imported wood pulp and waste paper. This being an old industry, most of the paper mills have been in existence for long hence present paper mills have technologies with a wide spectrum ranging from the oldest to the most modern ones.

As the pulp and paper sector represents one of the energy intensive and highly polluting sectors in the Indian economy, therefore, it is of particular interest in the environmental discussions at national and global levels. Increase in productivity through the adoption of more efficient and cleaner technologies in manufacturing of paper is, therefore, effective in integrating economic, environmental and social development objectives of the paper producing companies (Schumache and Sathaye, 1999). This expanding industrial scenario and conflicting objectives call for efforts in terms of strategic roadmap (figure 1) to tackle related problems such as:

- Sustained availability of good quality of raw materials (forest based) and bulk import of waste paper to supplement the availability of raw materials.
- Adequate modernization of the manufacturing assests.
- Quality improvement and reduction in cost of production.
- Import policy conducive for import of material, equipment, instruments, raw materials and technologies which have bearing on the quality and environment.
- Use of agro residues for preparation of pulp also poses challenges of pollution control, recycling, use of cost effective technology for utilization of agro residues, etc. (Indian Paper Manufacturers Association, 2009 and Economic Watch, 2010).

In the following paragraphs the case of Shreyans Industries Ltd., a leading paper manufacturing company, has been presented which highlights how this company has imbibed ethical business principles in its organizational policies, practices and culture, has met various challenges and improved its competitiveness.

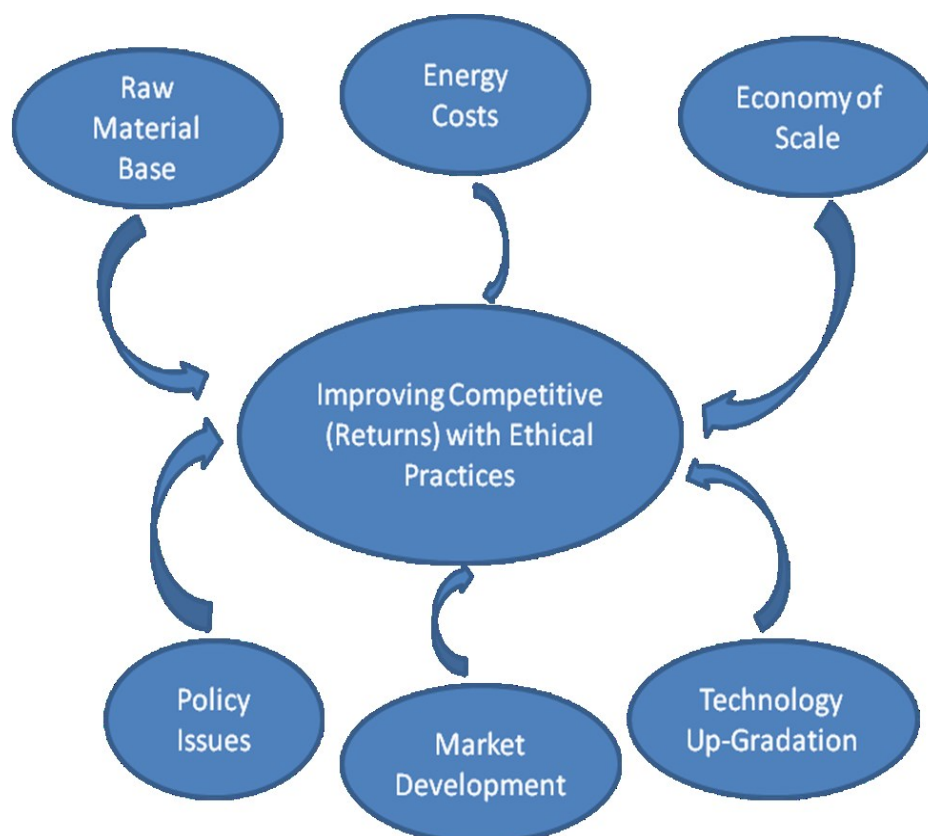


Fig. 1. Strategic Roadmap for Paper Industry in India

Rys. 1. Strategiczna mapa drogowa dla przemysłu papierniczego w Indiach

4. Shreyans Paper Mills: Focus on Green Management

Shreyans Paper Mills Ltd. was incorporated in the year 1979; its name was subsequently changed to Shreyans Industries Limited. The Company (formulated under Indian Company's Act, 1956) has been promoted by the well known Oswal family of Ludhiana. The company has two paper manufacturing units located at Ahmedgarh (district Sangrur) and Banah (district Nawanshaher) in the state of Punjab in North India. Starting with a capacity of 10,000 metric tones (mts.) per annum in 1982, Shreyans Industries has established itself as a leading agro-based writing and printing paper manufacturing unit with the present production in excess of 65,000 mts. per annum. The company has also set up chemical recovery plant at both the paper manufacturing units which has enabled it to reduce the consumption of chemicals and simultaneously achieve the prescribed standards of effluent discharge. With a view to improving the quality of pulp and also to save on cooking chemicals, a continuous digester has been installed at both the units. The units at Ahmedgarh and Banah have their own eco-operational friendly (E.O.) bleaching plant, for the manufacturing of 'High Bright', 'Superior Quality' paper. It has installed Asia's first soda

recovery plant with US aid test assistance and US Aid Test Scheme to avoid the use of wood in the manufacturing of papers. In addition, the company has total captive cum power co-generation capacity of about 5.6 mw at Ahmedgarh unit. However, to augment the total power requirement at Banah, another power plant with a capacity of 5 mw has already been installed. The firm is known for excellent technological inputs and parameters in the industry. The firm is operating with a wide product mix with well accepted quality in the market based on non-conventional raw materials [see Exhibit 1]. The prime consumers of the firm's products include major publishers, copy manufacturers, job printers, various states' text book boards, exporters of notebooks and diaries, printing and stationary department, Indian railways, Post and Telegraph department and security press etc. The firm has won National Productivity Award for five consecutive years from 1986 to 1991 [see Exhibit 2]. It is one of the largest Agro based paper mill in north India. Its R & D lab is equipped with L&W ELREPHO Spectrophotometer (equipment for environment pollution protection).

5. Corporate Philosophy

This case deals with the unit at Ahmedgarh engaged in manufacturing of writing and printing paper. Based on a number of modernization-cum-expansion schemes over the years the present installed capacity of this unit for manufacturing of writing and printing paper from *agro-based raw materials* is 37000 mts. per annum. The main strength of the company is that it is an Agro based paper plant using wheat straw, sugarcane residue and 'Sarkanda'. The company is a recognized player in manufacturing of writing and printing paper and the quality product manufactured by the company is well accepted in the Indian market [see Exhibit 4]. Its products are also exported to South Asian and Middle East countries.

Shreyans, as a responsible corporate citizen, strongly adheres to corporate governance principles to ensure that the resources of the company are used in the right manner. The company enjoys excellent rapport with all its stakeholders and business constituents.

6. Role of Organizational Policies and Practices in Human Resource Management

“Success story of Shreyans revolves around a competent, efficient and dedicated team of people who are second to none. Continuous investment in human resources has been a well thought out philosophy in Shreyans.”

Chairman & Managing Director, Shreyans Paper Mills.

The company has employees with excellent educational and technical background and it values its employees as precious resource. It enjoys excellent relationship with its personnel and treats them as the asset of the organization.

In an interview the Dy. General Manager, HR of the company said, "I feel myself as the part of the company not only an employee. There are various policies like HR Policy, CSR policy, Environmental policy etc. but until and unless as an employee you get moral support and recognition from the company's management for participation, the success of these company's policies remains a big question. Moreover, the work remains only on the papers/reports level is "Khanna Purtee (just a formality)." More than 80% of the employees are working in this company for the past 20 year, the retention rate is high. This is only because of the excellent working environment which our company provides to every employee."

Human Resource policy has been formulated by the company to support administrative personnel functions, performance management, employee relations and resource planning [see Exhibit-3]. The objective behind the policy is to meet the requirements for diversity, ethics and training as well as its commitments in relation to regulation and corporate governance. This is reflected in very low employee turnover at all the levels- including workers, staff, officers and managers. The company lays special emphasis on staff training and retraining through internal workshops and also nominating staff/officers to various training programs.

In another interview GM (HR) shared with the authors that the company has such an incredible working environment in which an employee feels a part of the company. Within the departments you will find that the employees organize monthly informal session for their peer group so as to exchange their innovative learning ideas and skills. The team spirit is one of the major assets of our HR department. The employee turnover rate is very low here. The management is engaged consistently in providing up to date training to their dedicated employees to boost their efficiency.

As on 31st March 2010, Company has 1323 employees consisting of 71 managers, 362 staff/officers and 890 workers. Even though the company started with a small business with conventional technology but continuous up gradation in equipment, machinery and processes have made Shreyans a 'Benchmark' for agro- based paper industry in the country. The quality of end products compares well with the competitors. The company takes technical support and services from various renowned companies like Darling Muesco (I) Pvt. Ltd. from time to time. The company has been the ideal partner for Design, Production, Testing and Distribution of the products manufactured.

This company's services are guided by the philosophy of 'Quality from the Beginning and environmental protection and product selection.' This is supported by their fulfilling the requirements of Quality Standard ISO 9001. The Company received ISO certifications. "Customer delight" and "Sustainable Economic Development" is corner stone of their business strategy.

7. Financial Policy

Financial statements of the company are prepared in compliance with the Indian provisions and Indian Accounting Standards for the listed companies. There are no material departures from the prescribed accounting standards in the adoption of accounting standards. The Management of the Company accepts responsibility for the integrity and objectivity of their financial statements, as well as various estimates and judgments used therein. The Chief Finance Officer of the Company shared during an in-depth interview with authors that the company follows the principle of zero base budgeting for the preparation of annual budget. For the better implementation of financial plan, responsibility centers' approach is followed and for better cost management Activity Based Costing mechanism has been adopted in the company. The company has made an interactive web portal on its website to facilitate direct interaction between shareholders and company secretary of the company and executive directors. Any query asked on web portal tried to redress within 3 days of being asked.

8. Environmental Policy and Practice

The vision of company's Chairman has been clearly reflected in the environmentally sustainable policy Committed to the Environment. Shreyans Industries Limited uses technology that works for the nature and not against it. The Bureau of Indian Standards has permitted Shreyans paper Mills to use "Eco Mark" on its products [see Exhibit 4]. Its divisions, namely Shreyans Papers is fully environmental law compliant and has necessary approvals from the competent authorities under the Environmental Protection Act both for air and water emissions and under *Hazardous Wastes Management Act* for handling and disposal of hazardous wastes. Various important steps have been taken by Shreyans to prevent pollution [see Exhibit 5].

In India the Centre for Science & Environment (CSE) started the Green Rating Project (GRP) in 1998. The project has successfully rated four major industrial sectors of the country (pulp and paper, automobile, chlor-alkali and cement). The program has had multi-

dimensional impacts. It rates major Indian industries on their environment performance and puts the research and ratings in the public domain. The impact of GRP on the industry and other stakeholders has been quite positive.

The National Human Rights Commission of India approached GRP to assess the environmental performance of Shreyans Paper Mills in Punjab which was polluting the groundwater of the local area – the only source of drinking water for the community. GRP investigated the Shreyans plant. The Commission adopted GRP's guidelines and recommendations, and advised the company to implement these. The project has achieved more than 90 per cent voluntary participation from the companies in all the five ratings. The performance comparison between the 1999 and 2004 showed that the pulp and paper industry had made significant improvements. Water consumption for the entire sector had reduced by one-third and so had the consumption of elemental chlorine. Companies were taking significant initiatives to promote farm and social forestry to meet their raw material needs.

9. Management Control Systems and Transparency

The Company has internal control systems to ensure that transactions both financial and operational are authorized and recorded correctly. Internal control system also ensures that all the assets of the company are protected against loss and put to authorize use only. Implementation of internal control system is ensured through adequate internal audit system, which is reviewed by the management periodically. The adequacy of internal control systems is certified by statutory auditors. A qualified and independent committee of the Board of Directors reviews the internal audit reports and the adequacy of internal control systems. This actually ensures the transparency at each level.

10. Business Ethics at Shreyans

Under this a prioritization process is being followed whereby the risks with the greatest loss and the greatest probability of occurring are handled first, and risks with lower probability of occurrence and lower loss are handled in descending order. The following procedure is followed by the company to mitigate the risk:

1. Identification and assessment of risks in the context of the company's risk appetite
2. Categorization and recording of risks, which assists in prioritization of risks
3. Control and mitigation of risks keeping in view the risk appetite and development of action plan depending upon risk retention, risk mitigation and risk transfer.

4. Review of risk control and mitigation measures in order to check its effectiveness and updating the same, if needed.

To ensure economic sustainability of the company, the company has adopted a proactive approach to identify and mitigate risks faced by the company. Apart from the risk policy, the company on its own acts as a responsible corporate citizen when it comes to the community welfare. As told by the Executive Director of the company, *“Company does not operate in isolation; it is part and parcel of the society. So it is our responsibility to give something back to the society from whom we take so many inputs like land, labor and, capital etc.”*

In an Interview with the representative from the community (around the plant site) to the authors, a respondent narrated an interesting incident which took place a few years ago. There is a canal which passes by the place where the Ahmedgarh plant is located. The industrial wastes from the paper manufacturing process were drained out in that canal through some underground process by the company. The villagers started facing some health problems due to that industrial waste. We all had taken the issue to the Executive Director. He immediately called a meeting of the Heads of the concerned departments and told them to make proper arrangement for the disposal of the industrial waste. The Company not only cleaned the canal but also undertook tree plantation drive to reduce the effect of the same.

The above mentioned is an incident took place few years ago near the company's plant. This experience which a community representative shared with the authors depicts one of the remedial measures adopted by the company towards the problems faced by the community due to their operations. However, by and large Shreyans had a social perspective in their vision right from its inception. Due to the non-existence of an environmental policy at that time, the company was not under any pressure from the law for rectifying the situation but as a responsible citizen, the company took upon itself this responsibility and undertook the whole task to make the alternative arrangement.

11. Culture and Social Responsibility

Every company is bound by its values and culture. Since the well known Oswal family started this company, the values of the family are reflected in the remarks of its current Chairman & Managing Director, *“It has been our continuous endeavor to come up to the expectations of our customers and maintain a relationship which gives value for money and pleasure to all customers who deals with us”* – Mr. Rajneesh Oswal (Chairman, Shreyans Paper Mills).

From the company's vision and philosophy it is evident that the Shreyans Group has social values embedded in their work culture. The Chairman, Shreyans Paper Mills Ltd. strongly believes in sustainable economic development with focus on key stakeholders. The company has got participative culture with extensive communication network wherein each department receives and communicates relevant information to one another. This provides transparency at each level of operation. In addition, the company has a kaizan policy whereby employees are motivated to suggest innovative tasks and innovative ways of doing the job to improve efficiency. There is a system in place to recognize the accomplishments of employees at different levels. The work culture is incredibly good at Shreyans which contributes to high retention and very low turnover. The Company with a healthy work culture maintains good rapport with the society with their community development initiatives. It has an annual budget for activities relating to corporate social responsibility. The company, in collaboration with a local NGO in Ahmedgath (Punjab), has set up an Eye Hospital. Besides contribution in setting up of this hospital, financial assistance is also provided on monthly basis and eye care is provided to the needy on subsidized rates or free of cost depending on the economic condition of the patient. The Company has got a tie-up with a local primary health centre where blood donation and medical health camps are organized by the company on a regular basis for the local inhabitants. The employees of the company along with their family members voluntarily contribute to the social projects undertaken by the company.

In an interview the Executive Director & CEO of the company, shared with the authors an example of the need based initiative started by Shreyans Paper Mills ltd. "There is no Fire Station within the 20 kms. where our plant is located. In case of breaking of a fire we had observed that the villagers had to wait for long for the fire brigades to reach the spot." Also, for the people who are below the poverty line (BPL), it was difficult to afford the cost. So we started the initiative of fire brigade service for the local inhabitants as company got its own fire station inside the plant for its own safety requirements. The services of the fire brigade are provided to the villagers free of cost.

The company is also involved with various educational institutions viz., Punjab College of Technical Education (PCTE), Baddowal, Ludhiana (Punjab) and Institute of Management Studies, Bhaddal (Punjab). They have tie- up with various local government schools for providing scholarship to deserving students on recommendations of the managements of such institutions. The company actively partners with a number of NGOs for holding medical check-up camps, sports events and other social activities. For the youth of the village, the company organizes career counseling workshops. The Company is also a member of

Ludhiana Management Association which is a local chapter of All India Management Association.

Shreyans, as a responsible corporate citizen, strongly adheres to corporate governance principles to ensure that the resources of the company are used in a manner that fulfill its obligations to all the stakeholders [see Exhibit 6] The code of conduct being followed by the Board and the senior management of Shreyans Paper Limited is provided in Exhibit 3.

A perusal of the case of Shreyans reveals that it has both written and unwritten codes which govern decisions and actions relating to business. These are embedded in policies and practices of financial accounting, sales, marketing, human resources management, corporate governance and environmental protection. Business ethics at Shreyans has led to its sustained growth and strong brand image and has helped it achieve several recognitions and rewards. One may conclude that conducting business with ethical principles is a road map to corporate brand building, growth and sustainability.

EXHIBIT 1

Company's History

Shreyans is one of the leading industrial groups of North India. It is a multi unit group with interests in paper and textiles. Shreyans has an annual turnover of \$ 50 million. Shreyans Group has over 1100 employees.

The company is operating with a wide product mix with well accepted quality in the market based on non-conventional raw materials. Major consumers of the company's products include major publishers, copy manufacturers, job printers, various states text book boards, exporters of notebooks & diaries, printing & stationary dept., railways, P&T dept., security press etc.

Product range of the company includes:

- High Brightness Paper
- Inland Letter Paper
- Cream Wove
- Postal Envelope Paper
- Colored Paper
- Offset Paper
- Duplicating Paper
- Cover Paper
- Surface Sized Printing Paper
- Super Calendered Paper
- Azure Laid Paper

- Rail Ticket Paper
- Maplitho Paper
- Super Printing Paper
- Stamp Paper

EXHIBIT 2

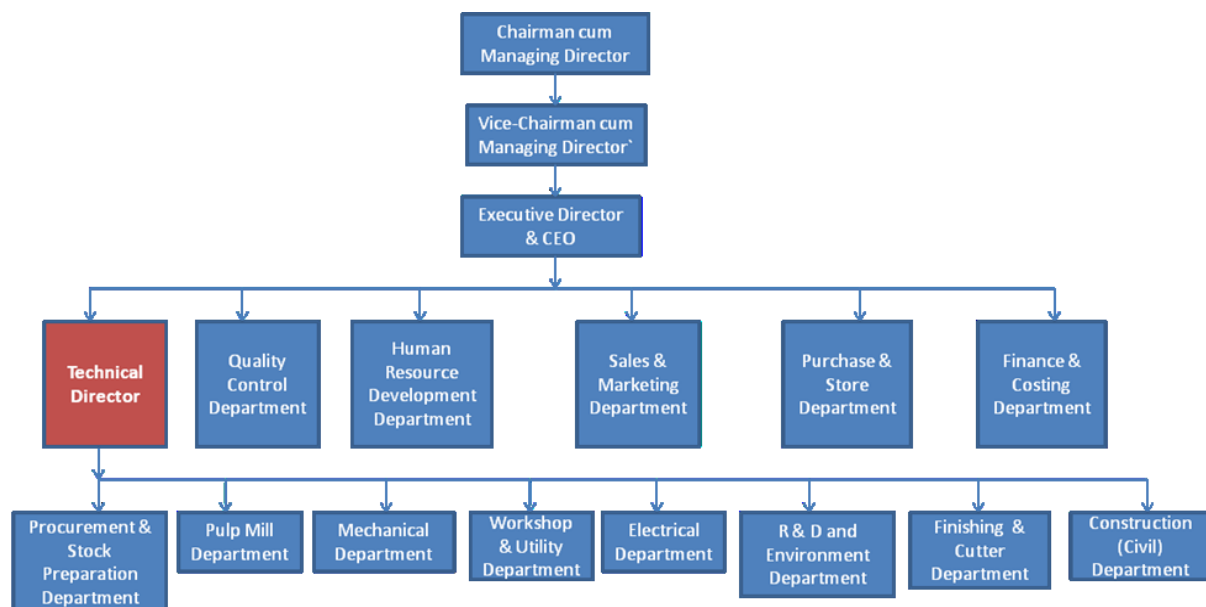
Achievements/recognition

National productivity awards won by the company for the years 1986 to 1991 (5 consecutive years).

The company is the recipient of many awards in case of productivity, safety and Consumer Services:

- Safety Award in 1986, 1996, 1999, 2002, 2005, 2007 and 2008 from Labor Department, Government of Punjab.
- Best Productivity Award from Government of India in 1987-1988, 1988-89 and 1989-1990.
- “Best Consumer Services Award by Giani Zial Singh, Former, President of India.

EXHIBIT 3



Organizational Chart

EXHIBIT 4

About Bureau of Indian Standards [BIS]

The Indian Standards Institution gave the nation the standards it needed for nationalization, orderly industrial and commercial growth, quality production and competitive

efficiency. However, in 1986 the government recognized the need for strengthening this National Standards Body due to fast changing socio-economic scenario and according it a statutory status. Thus came the Bureau of Indian Standards Act 1986 and on 1 April 1987, newly formed BIS took over staff assets, liabilities and functions of erstwhile ISI. Through this change over, the Government envisaged building of the climate of quality culture and consciousness and greater participation of consumers in formulation and implementation of National Standards.

BIS is engaged in formulation of Indian Standards for various sectors in engineering, food and agriculture, management systems, textiles, water resources etc.

Objectives

- Harmonious development of standardization, marking and quality certification
- To provide new thrust to standardization and quality control
- To evolve a national strategy for according recognition to standards and integrating them with growth and development of production and exports

The Bureau of Indian Standards (BIS), the National Standards Body of India, resolves to be the leader in all matters concerning Standardization, Certification and Quality.

In order to attain this, the Bureau would strive

- To provide efficient timely service.
- To satisfy the customers' needs for quality of goods and services.
- To work and act in such a way that each task, performed as individuals or as corporate entity, leads to excellence and enhances the credibility and image of the Organization.

BIS would achieve these objectives by working in close cooperation with all concerned organizations and by adopting appropriate management systems, motivating and ensuring active participation of all the employees.

EXHIBIT 5

Measures for Prevention of Environmental Pollution

- 95% furnish used are agricultural residues viz. wheat straw and wild grasses and only 5% furnish is either recycled fiber or some quantities of imported wood pulp whereby no forest are cut in the country. Based on this Bureau of Indian Standard [BIS] HAS PERMITTED Shreyans to use "Eco Mark" on its products.
- Utilization of agricultural residues and wild grasses has created a lucrative stream of income for agricultural sector in rural Punjab. Harvesting of wild grasses and collection and transportation of agricultural residues provides livelihood to many unemployed persons in this part of the state.

- Eco-friendly Oxygen and Hydrogen Peroxide have replaced significant quantity of Chlorine that was used for bleaching purpose, thus making our product further eco-friendly.
- Steam is generated through bio fuels and only in very exceptional circumstances some coal is utilized [mainly during rainy season]
- Biomethanation project that generates biogas out of waste water has been registered with UNFCCC as CDM project eligible for carbon credits, thus saving on fossils fuels.
- Shreyans was the first company in India to set up a non-conventional chemical recovery system from black liquor generated by wheat straw based mills and got financial assistance from USAID for this. This technology is established and replicated by many Mills.
- The non-conventional chemical recovery system helps lowering the pollution level as on NOX or SOX is emitted through fine gases which are major air pollutants and even the solid waste lime sludge is not generated in the process.

The researches done by Punjab Agricultural University and Indian Council of Agricultural Research have proved in favor of utilization of this effluent for irrigation purposes. Thus Shreyans Industries Limited are running a fully Green Eco-Friendly manufacturing facility for production of writing and printing paper.

EXHIBIT 6

Code of Conduct (For Board of Directors/Sr. Management Personnel)

The new clause 49 of the listing agreement requires the company to lay down a Code of Conduct for the members of the Board and also for senior management personnel.

Objective

The object of this **Code of Conduct** is to encourage the **Board of Directors and Executives** of the company to set goals to arrive at the most appropriate decisions in the interest of the company and its stakeholders in line with the highest standards of ethics, honesty and integrity. This code of conduct will guide the Board members and Senior Management Professionals in situation of conflicts of Interest.

Applicability

This Code is applicable to

1. All members of the Board of Directors, including Nominee Directors;
2. Unit Heads of the units of the company, provided they are not member of the Board of Directors;
3. All Head of departments or the Sr. most person in the department;

4. Chief Financial Officer;
5. Compliance Officer/ Company Secretary;

Affirmative covets

Ethical conduct

All persons, to whom this code of conduct is applicable, shall deal on behalf of the Company with professionalism, honesty and integrity. They shall maintain highest standards of functioning in an impartial and objective manner. Their conduct shall be transparent and fair and be perceived to be as such by third parties.

Diligence in Functioning

All members of Board and Senior management personnel shall ensure requisite care and diligence in functioning. They shall ensure compliance of applicable Laws and rules made there under, and agreements/treaties entered into by the company. They should recognize that their primary responsibility is towards various stakeholders of the company.

Protecting Company's Property

All members of Board and Senior management personnel shall endeavor to protect the company's assets, including intellectual properties, and ensure their optimum use for the conduct of business. All efforts should be made to protect the Company's property from any misappropriation, theft and Carelessness etc.

Pecuniary relationship

All members of Board and Senior management personnel shall Disclose all **Financial/Commercial Transactions** with the company and its associates in which they are/or deemed to be interested directly or through their relatives. They shall remain loyal to the organization.

Negative covet

Conflict of interest

All persons, to whom this code of conduct is applicable shall not engage in any business activity or enter into any relationship which might result in conflict with the interest of the company. They shall not accept any undue offer, gift or favor whether for him or for family members, from any business associates.

Confidentiality

All members of Board and Senior management personnel shall not disclose any information that they become privy to in connection with the company's business, until it is authorized or legally required.

They shall not exploit for their own personal gain opportunities that are discovered through the use of company's property, information or position.

Political Non-alignment

All members of Board and Senior management personnel in their official capacity shall not Support directly or indirectly any specific political party or candidate for political office. The company shall not offer or give any company funds or property as donations, directly or indirectly, to any specific Political party, candidate or campaign.

Disclosures

All persons, to whom this code of conduct is applicable shall

1. Promptly report to the Board of Directors/ Management any actual or possible violation of this Code or any event he or she become aware of that could affect the business or reputation of the company.
2. Ensure to provide full, fair, accurate, timely and understandable disclosures in all reports and documents required to be presented to shareholders, investors and other Government Authorities.

Waivers and Amendments

This code is subject to modifications, waivers and amendments as the Board may think appropriate from time to time. The Board or any designated committee/ person can waive compliance with this code for any director or officer of the Company.

Indian companies will have to have a continuous emphasis to the extent possible to remain competitive in terms of cost, quality and product value to the consumer. Steps taken by your Company over last several years to continue upgrading technology improve internal working parameters and substantially reduce its cost and add value to its product for its customers will enable it to face global challenges in times to come.

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