

Review work

UDK 159.922:304.9]:17

DOI 10.7251/SVR1510012C

**ECONOMIC AND ETHICAL CHALLENGES OF
DEVELOPMENT IN THE FORTHCOMING
PERIOD¹**

Professor Drago Cvijanović PhD², Branko Mihailović PhD³

Institute of Agricultural Economics Belgrade

Professor Miroslav Cavlin PhD⁴

Faculty of Economics and Engineering Management - Novi Sad

Abstract: Although business often does in unscientific and non-technological traditional way, ambition, competition and need for solving all kinds of business problems have motivated the companies to learn, even to sponsor scientific and technological work. The economy, science and technology works closely, started from the time of industrial revolution. Communication and information technologies have been in focus of influential events in past decades, while biotechnology seems to be the most important area for cooperation among economy, technology and science, during the 21st Century. At the same time when new challenges of globalization have appeared a significant interest has been directed to development of new methods of settling manifold impacts of business in the society. Many of those impacts are far-reaching and profound, like: pollution of the environment caused by production, transport and use of the specific products; increasing problem of waste disposal and its management; devastating consequences for an individual and local communities due to the closing down of local enterprises, reduction of the size and number of employees; erosion of local cultures and the environment. Accordingly, in this paper we have done researches of economic and ethical factors of development in the forthcoming period. The research results show that among these factors there is a relation of a reciprocal determinism.

Key words: *business ethics, performances, sustainability, economic development.*

¹ The paper represents a part of the research at the project III - 46006 – *Sustainable agriculture and rural development in terms of the Republic of Serbia strategic goals realization within the Danube region*, funded by the Ministry of Education and Science of the Republic of Serbia.

² Professor Drago Cvijanovic, PhD, Principal Research Fellow, Institute of Agricultural Economics Belgrade, 11060 Belgrade, Volgina 15 Street, phone: +381 (0)112972858; e-mail: drago_c@iep.bg.ac.rs

³ Branko Mihailovic, Ph.D., Research Associate, Institute of Agricultural Economics, Volgina 15 Street, 11000 Belgrade, Serbia; E-mail: brankomi@neobee.nettel: +381 (0)11 6972 858

⁴ Professor Miroslav Cavlin, Ph.D., Faculty of Economics and Engineering Management - Novi Sad, Cvećarska 2 Street, 21000 Novi Sad, Serbia, E-mail: cmiros@gmail.comtel. +381 65 91 55 003

INTRODUCTION

Adjustment to the new business environment realizes through the process of restructuring, in which aims to improve the business performances of an enterprise. Non-market business conditions have not instigated development of managerial abilities and skills. The necessity of overall transformation requires knowing of the specific activities and interventions, as a catalyst of the market economy's most efficient enterprise constructions.⁵ Accordingly, managers around the world recognize the increasing significance of skills, attitudes and knowledge development necessary for the efficient competition on the global markets. A phenomenon of more open world economy, the globalization of users' tastes and undiminished construction of the global electronic communication lines increases inter-dependence and inter-correlation of the national economies. A need, which appears among managers to develop their skills as a reaction to those pressures affects companies of all sizes. International commodity trade had exceeded the amount of 7 billion of USD in 2003, while the world commodity trade had appraised to around 1.5 billion.⁶ Although it is hard to imagine such large sums, they can serve us after all as an indicator of exchange and a size of the international trading. The United Nations have estimated that the total world population in 2050 will surpass nine milliard, and that it will achieve 10.1 milliard by the end of the Century, if current trend of population increase continues.

According to the same source and based on the average projections, a number of people in the world which now amounts around seven milliards should exceed eight milliards until 2023 and nine milliards by the year 2041, i.e. after 2081 the number will be over 10 milliards. At the same time, the world resources increase and this can in the future be of higher demand. Greater wealth and market dynamics brings about countries all over Asia, Central and East Europe to take on the characteristics of highly developed economies. Increasing wealth and demand, implies that users will actively tend to choose, and the consequence will be competition among companies which will tend to seize more sources of income. At the same time, increase of population number and increasing wealth helps making "the global youth culture". Consequentially, products based on development of a region or ethnical communities can face crisis. On the other hand, elder users have also been substantially non-national, by its personal identity, but from the perspective of consumer goods in their lives. They drive internationally produced cars, watch international television channels, use internationally produced hardware and software. The international consumption increases rapidly, while ownership borders tear down. On the supply side, the multinational and global corporations increase their scope of business and they are increasing their global power. In the beginning of the 21st Century, the biggest 500 companies in the world had performed more than 70% of the

⁵ Mihailović, B. (2007): *Uloga konsaltinga u restrukturiranju preduzeća u tranziciji*, monograph, Institute of Agricultural Economics, Belgrade, p 6

⁶ Doole, I., Lowe, R. (2004): *International marketing strategy: analysis, development and implementation*, fourth edition, Thompson learning, London.

world trade and 80% of international investments.⁷The total sale of multinational companies surpasses the world trade, which provides them the total gross domestic product higher than some national economies. In order to understand a size of the global economy, companies fuse, through takeover and associations, and thereby they reach such sizes which assume to be inevitable at the world stage. At the same time, there is a trend toward the global nationalization, with the tendency to reach global standards in efficiency and productivity. It is noticeable that the global market at the same time becomes more dependent, as in economic as in cultural and technical senses well, by consistent trust depositing in technological innovations. Information moves by the “speed of light” and what becomes well known, the global civilization has been supported by merging of telecommunication companies which provide their services to a large distances, with increased costs of electronic processing and development of the internet approach. The combination of these forces and factors means that all companies must organize a marketing orientation which has to be international and to employ managers which can analyze, plan and apply strategies through the global market. Owe to this, the international marketing becomes a fundamental area of research among managers and an important component of marketing corpus of knowledge in business colleges and universities.

1. ECONOMIC CHALLENGES IN THE GLOBAL BUSINESS ENVIRONMENT

Globalization relativizes significance of the competitive advantage of external resources, so that the central issue of every national economy development becomes making conditions for fast and sustainable growth of productivity – by using knowledge and other internal resources of this competitive advantage, like a strategy and business environment of quality.⁸For some time, numerous books and articles appear of globalization and its possible consequences, in almost all world languages. However, writers and opponents of globalization rarely deal with real causes of globalization or with issue of this phenomenon driving force. Are those companies which tend to sell their products in a standardized form all around the world, the international organizations (like World Trade Organization) and state governments, which make conditions for free trade at the global level via the international agreements, or in fact the consumers themselves who insist on buying products from abroad, even if, among other consequences, that harms interests of the local production?

In order to define real causes and drivers of globalization, it is important to emphasize what stimulates the international companies to sell their products under brands in as many countries as possible and second, what

⁷ Doole, I., Lowe, R. (2004): *International marketing strategy: analysis, development and implementation*, fourth edition, Thompson learning, London.

⁸ Cvijanović, D., Paraušić, V., Mihailović, B. (2011): “Afirmacija marketing pristupa u poljoprivredi Srbije”, pp.157-167, *Proceedings of the XXV Conference of Agronomists, Veterinarians and Technologists* Vol. 17, No. 1-2, Belgrade 2011, Institute PKB Agroekonomik, Belgrade, pp.157-167

governments tend to realize by globalization. In order to determine if there is an overlap between political and economic goals or are these goals maybe independent, it is necessary to ask a question whether the “global trends” would also exist and develop if there were no supranational agreements on free trade.

International business differs from the local ones, because the environment changes when a company exceeds the international borders. Usually a company understands and manages well at home, but it is less familiar with the environment in other countries and it has to invest time and assets in order to understand conditions prevailing there. In the following section we will consider some of the important aspects of the environment, which change at the international level. It should be noticed that a macro-economic environment is a composition, which function in harmonious interactions of individuals and institutions. On the whole, there should be a work of the individuals with new rights and obligations, with brand new own image.⁹ The economic environment can significantly differ from country to country. Consequentially, countries are often divided into three main categories: developed or industrialized, less developed or the third world countries and newly industrialized or new economy. There are great variances in each category, but all in all, developed countries are richer, less developed are poorer, and newly industrialized (those which transfer from less developed to developed countries) are getting out of poverty. Those differences are often made according to a *gross domestic product per capita*. Better education, infrastructure, technology, health care etc. are often connected to a higher level of economic development. Besides an economic development level the countries could classify as those with free market, central planning or a combination of these two principles and regulation of the economy. *Market economies* are the ones where governments have a minimum intervention in business activities and supply and demands determine production and prices. *Economies with central planning* are those in which the government determines production and prices according to demands, forecasting and desired level of supply. Combined economies are those in which are some activities left to market forces, while others are under government control, due to national and social reasons.

At the end of the 20th Century it come to switching to free trade, but for example, People's Republic of China, the country with the largest population in the world, together with few other countries has stayed substantially on the market under central management, while major free trade countries have maintained some level of control over business activities. It is clear that the level of economic activities together with education, infrastructure, as well as the level of government control over economy, affects all business aspects, so a company must be familiar with the environment and should understand it, if it tends to run a successful business at the international level.*

⁹ Cvijanović, D., Mihailović, B., Simonović, Z. (2009): “Tranzicija u Srbiji: efekti i ograničenja“, „Tranzicija“The Institute of Economics Tuzla, JCEA Zagreb, DAEB, Institute of Agricultural Economics - Belgrade, feam Bucharest;No. 21-22/2008.,pp. 87-100

Political environment relates to a type of government and the government's relation toward business, as well as to political risks in the country. International business imposed this way is dealing with different types of states, relations and risk degrees. There are numerous types of political systems, for example, democracy with a larger number of parties, one-party states, constitutional monarchy, dictatorships (civilian or military). The governments change in a different ways, e.g. through regular elections, early elections, in case of a leader's death, by a putsch or war, etc. The relation between a government and a business community also differs from country to country. Business can be observed positively as a starting device of development. Then, there can be observed negatively as an exploiter of workers; or somewhere between as a sector which provides benefits for the society, but there are also certain disadvantages. A particular relation between a government and companies varies also from a positive to a negative, depending on the type of business operations and relation between a host country and a country where businesses is done. In order to be efficient on the international market, a company has to lean upon goodwill of foreign governments and it has to understand well all aspects of the political environment.

A special issue which has to be considered by international companies is a level of political risk, which exists in a foreign country. The political risk is related to probability that governmental activities will have negative consequences to a company's work. These consequences can be dramatic like the forcible seizure of ownership, where the government asks from a company to deliver its assets through average form of the negative regulations or interference with the work, to a milder form like various taxes and tributes. In any case, there is a risk because no single government is completely stable. Generally, the risk has been connected with instability in a certain country. In other words, a country is considered more risky for business if there are often sudden changes of government, social disturbances, revolutions, mutinies, wars, terrorism etc. The companies are normally more inclined toward stabile countries which carry less political risks, but profit must be compared to risks, while companies often do business in countries with a relatively high risk, because profit is higher. In these situations, the companies want to control risks through insurance, ownership and managerial decisions, supply and market control, financial arrangements etc. Besides, the level of political risk is not dependent only on a country, but also on a company and its activities – a risky country for some company can be perfectly safe for other one.

Cultural environment is one of the most important components of international business environment and it is the most difficult to understand. It is the consequence of a fact that the cultural environment has been essentially hidden and invisible and it was described as a set of common beliefs and values which determined what is right. National cultures are described as a set of common beliefs and values shared by an entire nation. The factors like history, religion, geographic position, government and education affect these beliefs and values; so the companies often make an analysis of culture in a way they occupy themselves with these factors. Culture affects the overview of internal and external situation, according to the set goals, formulate strategies,

specify actions and corrective operations.¹⁰ Actually, there could be conclusion that there is no business aspect on which culture more or less have an impact. Consequentially, a company desires to understand which beliefs and values it could encounter in those countries where they try to do business, so experts has suggested a certain number of cultural value models. The most famous model is the one thought out by *Hofstede* in 1980.¹¹ This model suggests four dimensions of cultural values: individualism-collectivism, avoiding uncertainty, power distance and “male” versus “female” values. *Individualism-collectivism* is a level in which the society values and stimulates activities and decision-making of individuals. *Avoiding uncertainty* is a level in which the society is capable to accept and resolve uncertainties. *Power distance* is a level in which the society is willing to accept the state that power in organizations and other institutions is unequally disposed. *Male-female values* represent a level in which the society accepts traditional male or traditional female values. This model of cultural values is often used because it provides data for numerous countries. Many researchers and managers consider this model helpful in researching principles which can be used in business management in various cultures.

Competitive environment changes also from country to country. This is partly the consequence of economic, political and cultural environment. The environment factors help in determination of a type and a level of competition in a specific country. The competition can derive from many sources. It can be from the public or private sector, in form of small or big organizations, local or global companies, as well as from traditional companies or new active participants. A local company finds the most likely sources of competition very reasonable. This doesn't apply when it's transferred to a new environment.

This dramatically changes the nature of competition. It can also be encouraged and accepted or rejected for cooperation benefits; relations between buyers and sellers can be friendly or not; there can be high or low barriers for entering the market; regulations can allow or restrict some activities. As it was presented in the *picture 1*, a lot has been spoken on three key forms of competitive advantages:¹²

1) *Differentiation*, i.e. recognizable and sufficiently attractive distinguishing of some enterprise's supply from the competitive ones;

2) *Advantage in costs*, i.e. ability to surpass the competition through lower costs and thereby offer the same product at a lower price,

3) *Speed of reaction*, i.e. the ability to surpass the competition through faster recognition and satisfaction of changing needs of consumers.

In order to be internationally efficient, a company must comprehend the competitiveness and to evaluate its influence. In the competitive

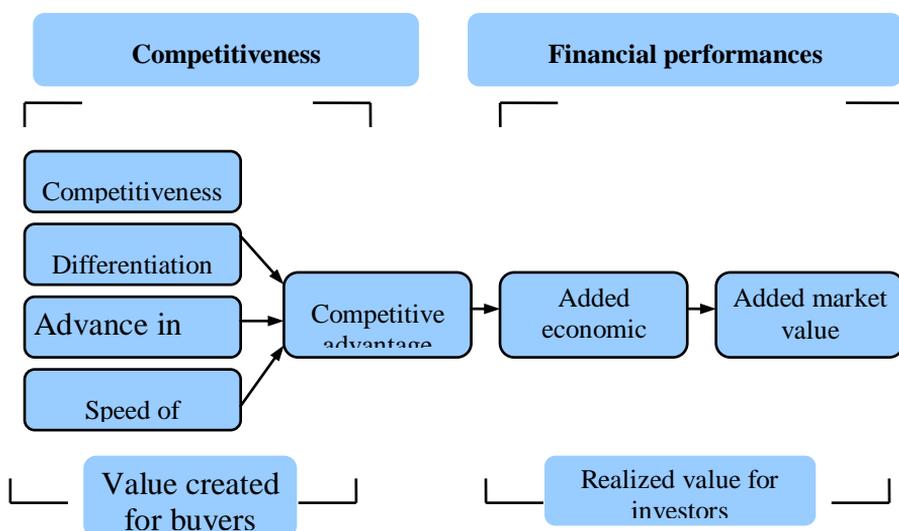
¹⁰Mihailović, B., Simonović, Z., Paraušić, V. (2009): “Organizaciona kultura kao faktor poslovnog uspeha preduzeća”, *Turističko poslovanje*, No. 4/2009, The College of Tourism Belgrade, pp. 23-32

¹¹Hofstede, G. (1980): *Culture's Consequences: Individual Differences in Work Related Values*, Beverly Hills, CA: Sage Publications.

¹²Todorović, J. (2003): *Strategijski i operativni menadžment*, Konzit, Belgrade.

environment, in order to survive, companies have to change and develop ceaselessly. Survival and development implies making efforts in re-evaluation and re-affirmation of competitive advantages of an enterprise and their positions on the market.¹³ In such conditions, an important aspect of the competitive environment is a level and acceptance of technological innovations in different countries. The last decade of the 20th Century was a witness of great technological progress and this also continues in the 21st Century. Technology is often observed as a source of the competitive advantage. Therefore, a company competes for access to newest technologies, and international companies transfer technology in order to be globally competitive. Nowadays, thanks to the internet, small companies can easily become globally present, which substantially expand their potentials, market and base of users. Due to economic, political, and cultural reasons some countries are more susceptible to technological innovations than others.

Figure 1. Financial performances and competitiveness



Source: Miler, A. (1998): *Strategic Management*, Mc Graw-Hill, p. 15.

2.IMPACT OF SCIENCE AND TECHNOLOGY TO AN ENTREPRISE AND ITS ETHICS

The accelerated progress of science is an important characteristic of time we live in. Until today unrecorded process in science is the consequence of *inter alia* new scientific paradigm, which has been established at the end of '60s in several life sciences simultaneously. In other words, in many sciences the conventional Decartes-Newton mechanistic idea of the world has been replaced with a concept of system self-organization in the process of transition. Studying the thermo-dynamic processes, the Nobel laureate Prigogine had

¹³Mihailović, B., Simonović, Z., Paraušić, V.(2010):“Konsultantske usluge kaopodškamenadžmentuljudskihresursa”, *Turističko poslovanje*,No. 5/2010, The College of Tourism Belgrade,pp. 219-229

found the adequate „phases of transition” and „self-organization”. During the transition from chaos to organized state, a matter necessarily passes through the phases of transition, i.e. the phases of decision-making, choosing among different alternatives. Thereby a new scientific paradigm, „synergism-a theory of interaction” has been created.¹⁴ Possibilities of a new scientific paradigm implementation in economy are obvious. In modern business environment the only constant are changes. In unpredictable business environment, only those enterprises and economic systems which thrive to manage the changes successfully survive. Although business often does, in unscientific and non-technological traditional way, with the ambition, competition and need for solving business problems of all kinds have motivated companies to learn, even to sponsor scientific and technological work. The economy, science and technology cooperate closely ever since the time of the „industrial revolution”. Communication and information technologies have been in the center of influential events for the past few decades, while biotechnology will be, as it seems, the most significant area for cooperation between the economy, technology and science, during the 21st Century.

Science and technology have an effect on the economy and its ethics in several important ways. First of all, they have introduced radical changes in business processes. Technological products dominate in literally every aspect of life. Numerous specific ethical questions can appear, connected to these technological products and regarding their safety, reliability, costs and values, privileges and side effects. Is it the production, use and disposal of waste done in ecologically responsible way? Is it the compromise between those who have benefits and those who pay the price ethically correct and justified?

Science and technology have significantly changed a work place. Mechanization and automation of a work place have been prolonged undisturbedly for two centuries. The information technology has provided companies to expand business worldwide. How can we appraise „outsourcing” and export of businesses, as well as deranging the local economies by the global companies? Does moral allow, even stimulate, workers to stay connected and available on daily basis to their employers at any time?

Technology works as a problem and new opportunities intensifier (for example, greater accessibility of medical data has both positive and negative sides). There also accelerates development, by which reduces the time necessary for separating those problems which are really ethically serious. A book of Frederick W. Taylor from 1911 called „The principles of scientific management” has promoted a new way of thinking about company management, which gives the primacy to expert and technical evaluations opposite to those of workers and inhabitants.¹⁵ Taylor declared that the efficiency is a main goal of a human thought and work, so something immeasurable cannot be important as well. A production line of Henry Ford has applied this kind of thinking. Workers have become literally machine accessories. Although there are specific benefits in production of Taylor's and

¹⁴ Dragan, Đ. (1996): “Tranzicija privrede”, *Svojina i slobode*, Institute of Social Sciences, Belgrade 1996, p 141

¹⁵ Taylor, F. W. (1911): *Principles of Scientific Management*.

Ford's principle, during '70s of the 20th Century has become clear that it is possible to make even higher productivity with humans and more careful treatment to workers. The thing that sometimes fails to see and ignores in consideration of the economy and technology is a way in which the technology has been built into the elementary values, as the efficiency, ponderability, power, velocity, repetition, predictability, saving etc. As long as technology is considered as a set of techniques and methods for economy support to achieve the goal, these technological values can be located in a richer cultural context which also preserves the values as extroversion, innovations, risk, human attention, beauty and quality of any other kind.

If technology is given a priority, it finally comes into conflict with humanity of workers, users and other engaged parties, where workers and companies pay a high price. In short, the business ethics in the years to come will have to pay a special attention not only to complexity of making technological innovations, but also to a collective impact to the goal and business culture, as well as their community.

3. BUSINESS ETHICS AND SOCIALLY REPOSONSIBLE BUSINESS

Business ethics represents very distinguished business theme, and discussions and dilemmas about it and attract great attention of different interested parties. That is to say, *consumers* as if they are more and more demanding in regard to enterprises and as they look for ethically and ecologically correct ways of business. *Media* also constantly hold the attention on corporative misuses and omissions of all other kinds. Even enterprises themselves, as it seems to be, increasingly agreed that something characterized as ethical (or it is at least seen as ethical) can really be good for business. At the same time, we should emphasize that there are series of problems regarding business ethics. This was stated by the writers Andrew Stark, who asked a question „What happened to business ethics?“¹⁶ and Tom Sorrell, who used a term „weird state of business ethics“.¹⁷ After all, despite the fact, that business ethics is researched and taught at universities, problems stays, while the public is sceptical about it. In fact, it seems that increasing consensus has been linked to importance of business ethics, whether by students, scientists, authors, governments, consumers or enterprises. Now there are modules in business ethics which performs at universities in Europe and worldwide, which are, at least partly, as it seems to be, the answer to various ethical scandals, which hit the covers of magazines. As "*The Times*" had published: „Business schools practice their ethical courses in light of recent corporative scandals“.¹⁸ The books, journals and articles on these topics were published, as well as numerous web pages and other electronic publications –the *amazon.com* at this

¹⁶ Stark, A. (1993): "What's the Matter With Business Ethics?" *Harvard Business Review* (May/June 1993), pp. 38-48.

¹⁷ Sorrell, T. (1998): "Armchair Applied Philosophy and Business Ethics" in C Cowton and R Crisp eds. *Business Ethics: Perspectives on the Practice of Theory*. Clarendon Press. 1998 Reprinted in D Schroeder and R Chadwick, eds. *Applied Ethics* (Routledge). 2002. vol. 1.

¹⁸ Dearlove, D. (2006): *Money scandals focus minds on mind for ethics*, *The Times*, 19 January.

moment in its base have more than 2,000 books which deal with business ethics and corporative responsibility. Similarly, in past several years we have been witnesses of significant growth of something that had been considered by „industry“ of business ethics, i.e. servants of business ethics, consultants, ethical investment trusts, ethical products and services and activities connected to revision, supervision and reporting. For example, a survey carried out in Great Britain evaluates that the global ethical market, i.e. consumption linked to ethical products and services, amounts around 40 milliard euro annually.¹⁹. One thing that is clear is that business ethics has not been only recognized as something important, but it has also experienced fast changes and appearances in past few decades. In such conditions, two major challenges of business ethics in Europe at this moment are: 1. a new context caused by the globalization phenomenon and 2. new goals represented by the sustainability concept. Forms of unacceptable behavior from employees point of view among their co-workers was shown in the *table 1*.

Table 1. Forms of unacceptable behavior from aspect of employees among their co-workers

Forms of col-workers' behavior	Percentage of perceived faults by employees
Insulting and frightening behavior toward employees	21
Lying employees, buyers, suppliers or public	19
A situation that puts the interests of employees over the organizational interests	18
Violation of safety regulations	16
Incorrect transfer of real time spent on job	16
Racial and gender discrimination or similar categories	12
Theft or thefts	11
Sexual harassment	9

Source: According to „National Business Ethics Survey 2005”, Ethics Resource Center, www.ethics.org

Ethics often mentions discovery of unethical (immoral) decisions in the news. Unfortunately, people cannot hear about ethics when others try to behave morally on daily basis, and it should be emphasized that legal stuff can be immoral. Ethics is a system of an individual's beliefs, which consists of knowing what is good and what is bad. It can vary from a person to person, and it consists of analysis of decisions, beliefs and deeds. In business context, of companies are expected to have good ethical values and to be socially responsible. The problem is that business ethics is a combination of individual sets of ethics. That is why it is necessary to have good individuals as employees. It is very important when you go to work you have a feeling that you share values with your colleagues. Ethics is not just discussion about the right things, but it is yet doing the right thing in every decision that is made. Social responsibility can be the example of ethical behavior. However, a

¹⁹ Co-operative Bank. 2005. *Ethical Consumerism Report 2005*. Manchester: Co-operative Bank.

company can afford to make good deeds even if it has no interests of it. If a company will lose a lot of money it will cease to exist, it will damnify users, and thereby it will leave workers without jobs. Some people claim that social responsibility is expressed only when companies want to accomplish more than it is currently available, i.e. when they really try to benefit for others, besides their own profit. Beside this, some companies have no interests from some kinds of social responsibility. These companies should focus on what is best for them, as well as to return to society as much as they can at this point.

At the same time when new challenges of the globalization have appeared, a significant interest has been directed to development of new methods of solving different influences of business in society. Many of those influences are extensive and profound. We have to mention some:

- Pollution of the environment caused by production, transport and use of the products like automobiles, refrigerators and newsprints.
- Increasing problem of waste disposal and its management as a result of excessive packaging of products and domination of so called „flyer culture“.
- Devastating consequences for individuals and local communities due to closing of businesses, reduction of their size and a number of employees, which is the experienced in Europe, from South Wales in Great Britain all the way to the countries of Central and East Europe.
- Erosion of local cultures and the environment owing to the penetration of a mass tourism in places like: Mallorca fishing villages, Swiss alpine communities, or ancient Roman monuments.

In accordance to such problems the radical changes are suggested in formulating business goals. After the *Earth Summit* held on 1992 in Rio de Janeiro, one of the concepts has obtruded as the one that should be widely applied (although not unilaterally accepted). It is about a new conceptual frame for appraisal of not only a business activities but industrial and social development in general. This is the *sustainability concept*. Sustainability has become a common term in the rhetoric related to business ethics and it widely used and interpreted by corporations, governments, consultants, scientists etc. Despite its wide use, sustainability is a term which is used and interpreted in different ways.²⁰ It is probably the most common use of term sustainability, regarding sustainable development, which is defined in the following way: *Sustainable development is such development that meets the needs of the present time without threatening the ability of other generations to satisfy their needs* (World commission on Environment and Development, 1987).

This definition, however, represents only a basic idea of widely contested concept, which has been a subject of huge series of different conceptualizations and definitions. However, with all the caution against unreserved acceptance of any interpretation on a basic level it seems to be that sustainability primarily refers to a system's maintenance, as well as providing the facts that our actions do not affect the systems (e.g. Earth or biosphere) in a way that their long-term sustainability has been jeopardized. Focusing at sustainable development and future generations potential to meet their needs, sustainability also faces thinking about an inter-generational capital, i.e.

²⁰ Dobson, A. (1996): "Environment Sustainabilities: An Analysis and a Typology", *Environmental Politics*, 5(3), pp. 401-428.

equality among generations. For a long time the sustainability concept has become substantially a synonym for human environment sustainability. It has recently been enlarged not only to consideration of the environment, but also to economic and social development.²¹This extension of sustainability concept has occur primarily because it has not been just impractical, or sometimes even impossible, to analyze sustainability of natural environment without consideration of social and economic aspects of relevant social communities and their activities. The second argument for continuation of this speculation is that the capital should be spread to the future generations too, and then it seems logical it should be also spread to all present-day generations. Hence, one of the primary goals set by the World Commission for Environment and Development is eradication of global poverty and inequality. As it can be seen, sustainability can be observed throughout three components: ecological, economic and social. It points out to the following definition: sustainability refers to long-term maintenance of the system in accordance with human environment, economic and social development. Although this definition serves for determination of a basic content of sustainability concept, it is obvious that sustainability as a phenomenon means a specific goal which should be achieved. Shaping the sustainable development as a goal of business activity of an enterprise, has been expressed most completely through a term „triple bottom line“. The „triple bottom line“ is a term formulated and strongly advocated by John Elkington, the Director of the consulting company for sustainability strategies and the author of numerous esteemed books on corporative environment. His opinion of this concept has been based on a fact that it had represented an idea that business did not refer only to one goal, which reflected in maximizing economic value, but he had added the expanded set of goals which implied inclusion of the environment and wider social community. From this perspective it should be clear why sustainability is a new goal potentially important for business ethics.

Thus, fair world, whether between rich consumers in the West and poor workers in developmental countries, between rich urban and poor urban, or between men and women, stays a central problem of social perspective of sustainability. An open question remains in which way business should respond to this challenge, but at least the goals got some clarification for the past several years with a promulgation of „Millennium goals of UN development“. These items, which will be stated, represent a main social and developmental challenge which shakes the world at present time and articulates the specific goals and indicators of something that should be achieved until 2015. Eight „Millennium goals of development“ are:

- To eradicate extreme poverty and hunger,
- To achieve primary education,
- To promote gender equality and empower of women,
- To reduce child mortality,
- To improve maternal health,
- Fight against HIV/AIDS, malaria and other diseases,
- To provide environmental sustainability,
- To develop global partnership for development.

²¹ Elkington, J. (1998): *Cannibals with forks: The triple bottom line of 21st century business*, Gabriola Island, BC Canada: New Society Publishers.

Although the UN has determined these goals, they in effect, have represented responsibility of governments which should achieve them. Some of them have very direct implications for business, while others refer to wider environment in which companies have to do business. Considering that this expanded set of expectations, put in front of business, in accordance with the concept of „triple bottom line“, there are significant implications in which direction business ethics should go. Aiming to achieve sustainability in previously defined areas, it is maybe expected too much at this time. Namely, there are negligible products, companies or industries that could be confidently asserted as sustainable in the full meaning of this word. However, many state governments, non-government organizations and academic communities promote widely the term of sustainable development, which is obviously important in order to understand full implications and evaluate the application of business ethics, at least according to potential contribution to sustainability.

CONCLUSION

Creation and transfer of knowledge is extremely important aspect of modern society, because new knowledge helps to renew the forms of production and management. Such trend reflects in increasing focus to the economy, professionalism and education of management. Many companies, especially in those sectors with highly educated staff, have introduced new management models which supports perfection, high quality management and creativity regarding knowledge and organizational education. A driving force of development and business success derive from the continuous learning and improvement of managerial abilities and skills. However, the changes in business world, as well as the changes of mentality in regards to the way businesses is done, have brought to appearance the necessity of this process fairness analysis, not only in terms of the law, but also from point of view.

In such conditions, the social responsibility and ethical behavior in business are strongly connected to organizational culture. In the following period, the concept of socially responsible business will contribute to realization of economic success respecting the interests of individuals, society and environment. The allocation of resources is provided, which honor the *triple bottom line* criteria (economic development, social development, responsible relation toward the environment). The assumption of a concept of socially responsible business is voluntary adoption of measures which help solving the social and ecological problems. It is about the strategic approach to the society and a partner relation toward other surrounding companies. Although, not every company takes the social responsibility, there are numerous areas in which the organization will come closer to this concept and which will be included in this type of activities in the following period.

EKONOMSKI I ETIČKI IZAZOVI RAZVOJA U NAREDNOM PERIODU

Prof. dr Drago Cvijanović, dr Branko Mihailović, prof. dr Miroslav Čavlin

Apstrakt: Iako se poslovanje često obavlja na nenaučni i netehnološki tradicionalni način, ambicija, konkurencija i potreba za rešavanjem poslovnih problema svih vrsta podstakle su kompanije da uče, pa čak i da sponzoriju naučni i tehnološki rad. Privreda, nauka i tehnologija saraduju blisko, još od doba „Industrijske revolucije“. Komunikacione i informacione tehnologije su u centru uticajnih dešavanja poslednjih decenija, dok će biotehnologija izgleda biti najbitnije područje za saradnju između privrede, tehnologije i nauke, tokom 21. veka. U isto vreme kad su se pojavili novi

izazovi globalizacije znatan interes je usmeren na razvoj novih načina rešavanja razolikih uticaja poslovanja u društvu. Mnogi od tih uticaja su dalekosežni i duboki, kao što su: zagađenje životne sredine uzrokovano proizvodnjom, transportom i korišćenjem određenih proizvoda; sve veći problem odlaganja otpada i njegovog upravljanja; razorne posledice za pojedinca i lokalne zajednice usled zatvaranja domaćih preduzeća, smanjivanja njihove veličine i broja zaposlenih; erozija lokalnih kultura i okruženja. Shodno tome, u radu se istražuju ekonomski i etički faktori razvoja u narednom periodu. Rezultati istraživanja pokazuju da između ovih faktora postoji odnos recipročnog determinizma.

Ključne reči: *poslovna etika, performanse, održivost, ekonomski razvoj.*

REFERENCES

1. Cvijanović, D., Paraušić, V., Mihailović, B. (2011): "Afirmacija marketing pristupa u poljoprivredi Srbije", str.157-167, *Zbornik naučnih radova sa XXV savetovanja agronoma, veterinara i tehnologa* Vol. 17, broj 1-2, Beograd 2011, Institut PKB Agroekonomik, Beograd, str.157-167.
2. Cvijanović, D., Mihailović, B., Simonović, Z. (2009): "Tranzicija u Srbiji: efekti i ograničenja", „*Tranzicija*“ Ekonomski institut Tuzla, JCEA Zagreb, DAEB, Institut za ekonomiku poljoprivrede Beograd, feam Bukurest; br. 21-22/2008., str. 87-100.
3. Co-operative Bank. 2005. *Ethical Consumerism Report 2005*. Manchester: Co-operative Bank.
4. Dearlove, D. (2006): *Money scandals focus minds on mind for ethics*, The Times, 19 January.
5. Dobson, A. (1996): "Environment Sustainabilities: An Analysis and a Typology", *Environmental Politics*, 5(3), pp. 401-428.
6. Doole, I., Lowe, R. (2004): *International marketing strategy: analysis, development and implementation*, fourth edition, Thompson learning, London.
7. Dragan, Đ. (1996): "Tranzicija privrede", *Svojina i slobode*, Institut društvenih nauka, Beograd 1996, str. 141-153.
8. Elkington, J. (1998): *Cannibals with forks: The triple bottom line of 21st century business*, Gabriola Island, BC Canada: New Society Publishers.
9. Hofstede, G. (1980): *Culture's Consequences: Individual Differences in Work Related Values*, Beverly Hills, CA: Sage Publications.
10. Mihailović, B. (2007): *Uloga konsaltinga u restrukturiranju preduzeća u tranziciji*, monografija, Institut za ekonomiku poljoprivrede, Beograd.
11. Mihailović, B., Simonović, Z., Paraušić, V. (2009): "Organizaciona kultura kao faktor poslovnog uspeha preduzeća", *Turističko poslovanje*, br. 4/2009, Visoka turistička škola Beograd, str. 23-32.
12. Mihailović, B., Simonović, Z., Paraušić, V. (2010): "Konsultantske usluge kao podška menadžmentu ljudskih resursa", *Turističko poslovanje*, br. 5/2010, Visoka turistička škola Beograd, str. 219-229.
13. Miler, A. (1998): *Strategic Management*, Mc Graw-Hill.
14. "National Business Ethics Survey 2005", Ethics Resource Center, www.ethics.org
15. Sorrell, T. (1998): "Armchair Applied Philosophy and Business Ethics" in C Cowton and R Crisp eds. *Business Ethics: Perspectives on the Practice of Theory*. Clarendon Press. 1998 Reprinted in D Schroeder and R Chadwick, eds. *Applied Ethics* (Routledge). 2002. vol. 1.
16. Stark, A. (1993): "What's the Matter With Business Ethics?" *Harvard Business Review* (May/June 1993), pp. 38-48.
17. Taylor, F. W. (1911): *Principles of Scientific Management*.
18. Todorović, J. (2003): *Strategijski i operativni menadžment*, Konzit, Beograd.