
Emerging Challenges & General Management: Business Ethics

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Abstract

Ethics deal with “what that ought to be”. Patrick and Quinn (1997), defined ethics as the study of individual and collective moral awareness, judgment, character and conduct. Business ethics is an art and science of maintaining harmonious relationship with society, its various groups and institutions as well as recognizing the moral responsibility for the rightness or wrongness of business conduct. Values are inborn within individuals – embedded in individuals. Values differ amongst individuals. Individual values do change temporarily due largely to external influences/forces. Individuals have different sets of values. Values reflect a person's sense of right or wrong. Values lay the foundation in understanding people's attitude and motivation. Values are what we, as a profession, judge to be right. They are more than words—they are the moral, ethical, and professional attributes of character. Values are the embodiment of what an organization stands for, and should be the basis for the behavior of its members. Business ethics is not codified but yet literature's on the subject matter has developed to extent that it has made its identity visible in corporate world and business at large. With the rapid pace globalization is gaining momentum it is must for organizations operating all over the world to adopt ethics in trade. Since, the ethical practices are culture specific, the Indian business ethics practice is also found to be differentiated on the basis of nature of business and demographic location of business. This paper concentrates upon ethical business practices to be adopted by the MNC's of Indian origin for achieving success on a global platform. Through this paper an attempt has been made to identify some of the best ethical practices, Indian MNCs should adopt while operating in foreign land and in the home country. The paper also brings in light real examples of ethical practices from the Indian corporate that set lessons for other organizations operating worldwide.

Introduction: Recent global corporate scandals have done long-lasting damage to the reputations of some of our most important civic institutions and businesses. 21st century has opened many corporate ethical scandals that have harmed millions of employees and investors and sent shock waves to the business world. To name a few Manu Chabra Group for wrecking the fortunes of about half a dozen companies and facing investigation on FERA violations, the Harshad Mehta epic stock scam, ITC's violation of excise laws, the recent UTI scam, the recent Adarsh, Kansal, CWG and 2G spectrum scam. Key constituents employees, investors, and community members no longer trust or respect many institutions as much as they once did. Meanwhile, increased transparency and connectivity have enabled greater access to previously private information. The way to thrive in this era of increased public scrutiny is to put an introduction to business ethics training at the core of how corporations conduct business, and by tangibly demonstrating they have nothing to hide. "Doing what's right" represents a sustainable way to create competitive advantage. The path to operational zing ethical capitalism requires formalizing an introduction to business ethics, grounded in a code of ethics, not just at the top, but throughout the organization. Over time, ethical

leadership fosters and sustains enduring corporate cultures that self-govern around corporate values and set forth a code of conduct that meets the highest standards. Now the time has come that managers, CEOs, MDs and owners of business organizations will have to rethink about business ethics which include honesty and respect for company assets; no compromise with quality and competence; embracement of diversity and respect of dignity of fellow employees; respect of customers' needs and values; and so on. These traits help in making the business sustainable.

What is Business Ethics?

The word “ethics” is derived from the Greek *ethos*, meaning “customary” or “conventional.” Ethics is built on good work practices & what is right; it provides general guidelines on good behavior/conduct of individuals, group, and organization as a whole. Ethics determiners what is right or wrong and choosing what is right. Ethics governs the behavior and conduct of individuals/groups in the workplace. Ethics is one of the hallmarks of a well run Company. Ethics can re assure investors/stakeholders about the Company's approach to its non financial risks. Ethics also help to protect/enhance Corporate/business reputation. Example, corporate image/branding.). To be ethical in the sense of ethos is to

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conform to what is typically done, to obey the conventions and rules of one's society and religion. Ethics involves a discipline that examines good or bad practices within the context of a moral duty. Moral conduct is behavior that is right or wrong. Business ethics include practices and behaviors that are good or bad.

Ethics is defined as 'a theory or a system of moral values: 'an ethic of service is at war with a craving for gain' (*Gregg Easterbrook*).

Ethics may also be defined as 'the branch of philosophy that tries to determine the good and right thing to do; choices regarding right & wrong, (*Dictionary of Business*).

Ethics (plural, noun): 'the system of beliefs and rules used to judge human action'. Example: 'he is a very honorable person who always acts accordingly to his ethics' (*Macquarie Dictionary, 2006:191*).

Oxford Advanced Learner's Dictionary defines the word 'ethics' as "moral principle that govern or influence a person's behavior". Ethics is thus a benchmark of human behavior. The conduct of human beings is influenced either by the emotions of life or the actions people perform in different situations. The coordination of action and emotions generates ethics.

Ethical Values for Business Success: Ethics is based on a set of moral and ethical values. These values must be absolute - that is, you must take them seriously enough to override any human rationalization, weakness, ego, or personal faults. When all else fails, you will always look back to these core values to guide you. Unfortunately, life is not that easy and there's always disagreement about what values should reign supreme.

Honesty: The old adage, "honesty is the best policy" is true today more than ever. It's not just lip service. Employee manuals from most scandalized corporations are likely to contain slogans touting its commitment to honesty. Claiming to be honest in an employee manual is passé. You're either honest or not. Even if you haven't got caught yet, most people know who is and who isn't.

Integrity: Integrity connotes strength and stability. It means taking the high road by practicing the highest ethical standards. Demonstrating integrity shows completeness and soundness in your character and in your organization.

Responsibility: Blaming others, claiming victimhood, or passing the buck may solve short-term crises, but refusal to take responsibility erodes respect and cohesion in an organization. Ethical people take responsibility for their actions. Likewise, actions show the ability to be responsible both in the little and big things.

Quality: Quality should be more than making the best product, but should extend to every aspect of your work. A person who recognizes quality and strives for it daily

has a profound sense of self-respect, pride in accomplishment, and attentiveness that affects everything. From your memos to your presentations, everything you touch should communicate professionalism and quality.

Trust: There's no free ride. Trust is hard to earn and even harder to get back after you've lost it. Everyone who comes in contact with you or your company must have trust and confidence in how you do business.

Respect: Respect is more than a feeling, but a demonstration of honor, value, and reverence for something or someone. We respect the laws, the people we work with, the company and its assets, and ourselves.

Teamwork: Two or more employees together make a team. It is a business necessity to work openly and supportively in teams whether formal or informal.

Leadership: How many hardworking, honest employees have been tainted and led astray by corporate leadership failings? Managers and executives should uphold the ethical standards for the entire organization. A leader is out front providing an example that others will follow.

Corporate Citizenship: A foundational principle for every company should be to provide a safe workplace, to protect the environment, and to become good citizens in the community.

Shareholder Value: Without profitability, there is no company. Every employee should understand how he or she fits into the profitability picture. Everyone's common goal should be to build a strong, profitable company that will last.

Empirical Study: In this research paper we have discussed empirical study of Cadbury, Nestle, other MNCs (Tata, Sail, Maruti, ONGC, Wipro, Reliance, Infosys, Canon, Johnson & Johnson, Ford Motor Company, IBM) as follows:

- **Business Ethics of Cadbury:**

Cadbury is one of the world's largest confectionary manufacturers. Cadbury believes that good ethics and good business go together naturally to produce the best long-term results for all the stakeholders. Cadbury's vision is to be the biggest and the best confectionery company in the world. Its success is sustained by understanding and responding to the needs of consumers, customers, suppliers, colleagues and citizens. Its values are based upon performance, quality, respect, integrity and responsibility, honesty, openness and courtesy. This means everyone in Cadbury acts in an ethical way to protect and promote the company and its reputation among the people and communities it does business with. Cadbury maintains ethical sourcing standards and develops sustainable agriculture programmes such as the '**Cadbury Cocoa Partnership**'. Cadbury recognizes its environmental responsibilities. It reduces environmental

impact, in particular targeting carbon, packaging and water use, within its broad **'Purple Goes Green'** environmental programme.

- **Business Ethics of Nestle:**

Nestle is the world's leading nutrition, health and wellness company. With over 276,000 employees, the company has operations in almost every country in the world. The people know more by brands and the portfolio covers practically all food and beverage categories, with market leaders like Nestle, DRUMSTICK, NESCAFE, STOUFFERS, KITKAT, Nestle GOODSTART, Nestle PURE LIFE and PURINA, to name a few. Since its founding, Nestlé's business practices have been governed by integrity, honesty, fair dealings and full compliance with all applicable laws. Nestlé's employees worldwide have upheld and lived this commitment in their everyday responsibilities ever since, and Nestlé's reputation remains one of the Company's most important assets today. The Nestle Corporate Business Principles prescribe certain values and principles which Nestle has remained committed worldwide.

- **Business Ethics of other MNCs (TATA, SAIL, MARUTI, ONGC, WIPRO, RELIANCE, INFOSYS, CANON, JOHNSON & JOHNSON, FORD MOTOR COMPANY, IBM)**

The Tata Group has always sought to be a value-driven organization. These values continue to direct the Group's growth and businesses. The five core Tata values underpinning the way we do business are: Integrity; Understanding; Excellence; Unity; and Responsibility.

SAIL (Steel Authority of India) is To be a respected world Class Corporation and the leader in Indian steel business in quality, productivity, profitability and customer satisfaction.

Maruti Udyog: We believe our core values drive us in every endeavour: Customer obsession; flexible and first mover; innovation and creativity; networking and partnership; openness and learning.

ONGC: To be a world-class Oil and Gas Company integrated in energy business with dominant

Indian leadership and global presence.

The Spirit of Wipro is the core of Wipro. Spirit is rooted in current reality, but it also represents what Wipro aspires to be thus making it future active. The Spirit is an indivisible synthesis of all three statements: Manifesting intensity to win; Acting with sensitivity; and being unyielding on integrity all the time. Reliance Industries: Reliance believes that any business conduct can be ethical only when it rests on the nine core values of: Honesty; Integrity; Respect; Fairness; Purposefulness; Trust; Responsibility; Citizenship; and Caring. Growth is care for good health.

For Reliance Industries:

Growth is care for safety; Growth is care for the environment; Growth is conservation; Growth is betting on our people; and Growth is thinking beyond business. Infosys Technologies is a globally respected corporation that provides best-of-breed business solutions, leveraging technology, delivered by best-in-class people and achieves its objectives in an environment of fairness, honesty, and courtesy towards our clients, employees, vendors and society at large.

Johnson & Johnson include: high quality and prompt service at reasonable price with a view to making fair profit; to respect individuality of employees keeping in mind their job security and means of fulfilling family responsibility; Informal communication; Just and ethical action; and to encourage community service.

Ford Motor Company's ethical values include: Doing right thing for the customer, people, environment and society; providing superior returns to our shareholders;

IBM include: Respect for individual; IBM anthem; Devotion to customers; Lifetime employment; and Open door program. For IBM Ethics matters because it makes good business sense to "do the right thing". Additionally good corporate ethics results in: Attracting better talent; Retaining employees; attracting new customers; Retaining customers; Positive effect on Corporate Reputation.

Findings:

- Ethical Values and Business Ethics help to improve productivity, profitability, quality, public image and brand value of an organization in this world of globalization.
- Ethical Values and Business Ethics are very effective to achieve sustainable development of an organization.
- There is limited attention to ethical values and business ethics in India. Business environment in India is not favorable for business ethics and ethical values. There is utmost need to educate the employees as well as managers and even some of the owners, CEOs and MDs also about business ethics and ethical values.
- Business must maintain the highest standards of behavior for the benefit of industry, employees, customers and society only with the help of ethical values and business ethics.

Facts:

- Research has shown that consumers give preference to companies that adopt CSR practices. According to the Edelman Strategy of Survey of Opinion Leaders, 76% would switch to a company with strong CSR practices, if price and quality are equal

to non-CSR competitors. In the same 75% surveyed reported they would give a CSR company the “benefit of the doubt” if the company were subjected to negative publicity

- 52% of employees observed at least one type of misconduct in the workplace in the past year, with 36% of these observing at least 2 or more violations.
- 19% lying to employees, customers, vendors, or the public.
- 18% a situation that places employee interests over organizational interests.
- 16% violations of safety regulations.
- 16% misreporting of actual time worked.
- 12% discrimination on the basis of race, color, gender, age or similar categories.
- 11% stealing or theft.
- 9% sexual harassment.
- 69% of employees report their organizations implement ethics training.
- 65% of employees indicated their organizations have a place they can seek ethics advice.
- 55% of employees who observed misconduct at work reported it to management.

Suggestions:

- The real test of these values comes from the resulting action. It takes a concerted, company-wide effort, beyond inserting these words in an employee manual, to make it happen.
- Management must lead by example. Good ethics should be most noticeable at the top. Every employee must be accountable to the same rules.
- A corporate values or ethics initiative must be "sold" and "marketed" aggressively throughout a company. Every forum and medium should be used to spread the good message. Of course, it will only be credible if the company is practicing what it preaches.
- Training must be provided to get everyone on the same page. It's easy to ignore a motivational speech or pass by a poster, but spending time learning about the issues will have a lasting impact.
- Both you and the company must be in it for the long haul. The ethics fervor should extend to the next generation of employees. The longer it lasts, the more ingrained the principles will become. Despite failings of some, there is plenty of room at the table for good ethics and profitable business to reside. Together they can lay the cornerstone for a secure and prosperous society.

Conclusion:

Lastly in this paper, we conclude that ethical values and business ethics act as a vital tool for removing unethical practices and various scandals that are occurring frequently in this hi tech world of competition and globalization. Apprehension is that such practices are creeping into general ways of life which are bound to prove detrimental to our social life. There is great need to educate the employees, managers, administrators, CEOs, MDs and even owners of the business organizations regarding ethical values and business ethics along with technical and corporate trainings so as to make our customer and consumers delighted, thus leading to business sustenance and to survive in today's globalized world.

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