
Importance of Nurturing Values and Ethics in Business with Special Reference to Corrupted Indian Economy

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Abstract

The paper seeks to draw attention on the importance of following ethical values in businesses in the contemporary Indian society which is profoundly entrenched under the demon of corruption. It discusses the various factors responsible for not observing such norms and the importance of following ethics and values in businesses. The corporate sector in contemporary India has become the puppet in the hands of a few selfish managers and leaders. It's the high time to revive the long forgotten values and ethics in the business trends so that the country can be saved from the downfall as well as can be benefitted from its multifaceted advantages. The paper also discusses the possible explanations for the high idealism scores of managers and a seemingly contradictory perception of India as overall a corrupt country with wide spread unethical business practices.

Keywords: Business Trends, Corporate, Corruption, Economy, Contemporary India.

Introduction: India, the second largest democracy, saw the initiation of the first generation of reforms in 1991 under the stewardship of the then finance minister Dr. Manmohan Singh, followed by the second generation of new reforms in the post 2001 era. India has the largest population of middle class in the world and is the second fastest growing economy after China with an 8% plus GDP growth rate. In the purchasing power parity terms, India is among the top four of the world and is ranked the world's 12th largest economy. To tap this huge market we have large National and International marketing companies operating here in the FMCG, Durables and services sectors. Most of these companies are highly successful in terms of profitability-the bottom line, sales revenue-the top line and even market share and growth rates. However, there are concerns raised about the value these companies place on social responsibility and ethics in marketing in their quest for maximization of profits. This paper hopes to develop an understanding on the scenario in India on these issues and suggest the directions which can take our corporate towards social entrepreneurship and become corporate citizens.

Research Question: The paper proposes to test the hypothesis whether it is important to follow ethics and values in businesses in a highly corrupted society and what could be the possible outcome of it.

Research Objectives:

- To identify reasons why the study of ethics is important

- To explain the nature and meaning of business ethics
- To realize the contribution of business ethics and ethical values in sustainable development
- To create awareness about business ethics and ethical values for the benefit of industry, employees, customers, consumers, shareholders and society.

Literature Review: “Good executives focus on opportunities rather than problems. Problems have to be taken care of, of course; they must not be swept under the rug. But solution of problem, however necessary, does not produce results. It prevents damage “Exploiting opportunities produces results” (Drucker 2004, p. 62). Malhotra (2001) also reported 'value erosion' among Indian managers the perception of India being overall a corrupt country, reported value erosion among managers in India and scarce empirical research in the area, prompted the idea of studying the ethical beliefs and ideologies of the managers. For Chakraborty (1997) the economic liberalization has ushered in an era of unethical business practices. “An ethical depression began to break loose as an ethical cyclone with economic liberalization adopted by India in 1991”, (p.1529). The Indian managers who were undertaking management development courses conducted by a particular management institute in India, their data indicated a shift in the work values of these managers. Considering India to be a collectivist society, they found that the managerial values are not necessarily linked to social visions (pg 652). A survey conducted by Monappa (1977) of the ethical attitudes of Indian managers found that 73 per cent

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of the managers tended to ignore ethics in their daily practice.

Designs/ Methodology/Approach: Studies by the author and other scholars are used to analyze the contemporary situation. Initially, secondary data was collected from the company websites and other recent publications to gauge the concerns that the companies have in India for social responsibility and ethics in Marketing.

Findings: Ethics and Values, once treasured by the people of India, are gradually losing its importance especially at the corporate level because of cut throat competition. However, these principles can still be observed at the small, non corporate units. The higher human faculty, which separates the humans from animals i.e. brain, has now taken over the heart and hence all the businesses are cracked with the sole aim of earning profits by hook or by crook without paying any heed to the consequences of it.

Research Limitations/Implications: For contemporary times, the paper only discusses a few baser aspects of current business trends and the importance of fostering a healthy, ethical tradition in business. This paper does not discuss different aspects of ethics and values in detail.

Originality/Value: The paper reiterates the fact that ethics and values should not be segregated from any business otherwise the aftermath will surely be very dangerous. India is always remembered for its truthfulness and the same should be reflected in our sources of earning as well.

In India corruption can be seen everywhere. It is like cancer in public life, which has not become so rampant and perpetuated overnight, but in course of time. A country where leaders like Mahatma Gandhi, Sardar Patel, Lal Bahadur Shastri and Kamraj have taken birth and promoted a value-based life, is now facing the problem of corruption. When we talk of corruption in public life, it covers corruption in politics, state governments, central governments, business, industry and so on. Although the people have become aware and have started taking actions against it as AAP is the live example and hence the same is highly required in the arena of business and profession as well. It's the right time to push the envelope further for promoting value based ethical businesses in the country.

The literal meaning of the word ethic is a set of principles pertaining to right and wrong behavior. 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. Business ethics include Honesty; Integrity; Responsibility; Quality; Trust; Respect; Teamwork; Leadership; Corporate Citizenship; Shareholder Value; social ethics, moral modes, a customer-centric focus, employee satisfaction, customer satisfaction and finally leading to sustainable business in this globalized world. It deals with issues regarding the moral and ethical rights, duties and corporate governance between a company and its shareholders, employees, customers, media, government, suppliers and dealers. Henry Ford said, "Business that makes nothing but money is a poor kind of business".

Values are not just the icing on the cake rather it is the foundation stone of any professional success. They are inborn qualities - embedded in individuals. Values differ amongst individuals. Individual values do change temporarily largely due to external influences/forces. Individuals have different sets of values. Values reflect a person's sense of right or wrong and lay the basis in understanding people's attitude and motivation. Values are what we, as a professional, 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.

The causes of corruption in India include excessive regulations, complicated taxes and licensing systems, numerous government departments each with opaque bureaucracy and discretionary powers, monopoly by government controlled institutions on certain goods and services delivery, and the lack of transparent laws and processes. There are significant variations in level of corruption. All these reasons are directly proportional to the growth of any business and ultimately force a businessman to evade from following values and ethics which are the lifeblood for the long term success of the business. As Ratan Tata, chairman of the Tata Group, observed, "If you choose not to participate in [corruption], you leave behind a fair amount of business." Much has been written about the benefits of doing business in India — low input costs, easy access to labor and a massive consumer base. Less has been said about the ability of companies in India to thrive by bending rules, greasing palms and broadening ethical boundaries.

I have often pondered on whether adults can be taught ethics. As per crime triangle a person commits a crime when three factors are present – opportunity, reward and rationalization. Hence, if the opportunity is available with a lucrative reward, psychologically a person can rationalize a crime. Due to this, in context of India, teaching business ethics is a seemingly impossible task.

The psyche of the society shows that corruption is an acceptable way of getting ahead in business. There are various sources which give birth to ethical dilemma. It exists amongst people and most of the times they are unable to decide what is to be done.

Now here the question arises is, "What is ethical dilemma?" Well, an ethical dilemma is a moral situation in which a choice is to be made from two equally undesirable alternatives. A business dilemma exists when an organizational decision faces a choice between two or more options that will have various impacts on (a) the organization's profitability and competitiveness, (b) its stakeholders. The commonly known reasons responsible for this dilemma are:

Individual Reasons: Pressure from Management - Each company's culture is different, but some companies stress profits and results above all else. In these environments, management may turn a blind eye to ethical breaches if a worker produces results, given the firm's mentality of "the end justifies the means."

Ambition and Discrimination - Individual workers may be under financial pressure or simply hunger for recognition. If they can't get the rewards they seek through accepted channels, they may be desperate enough to do something unethical, such as falsifying numbers or taking credit for another person's work to get ahead.

Negotiation Tactics - While these factors can cause ethical dilemmas for workers within their own companies, doing business with other firms can also present opportunities for breaches. Pressure to get the very best deal or price from another business can cause some workers to negotiate in bad faith or lie to get a concession.

B) Organizational Reasons:

1. There is no longer one agreed moral code. Most people have a weak sense of religion or none at all. So their morals come from somewhere else!!
2. There are competing religious and social moral codes, especially for multinational companies ("MNCs") operating in different parts of the world and employing people from different cultures.
3. The pursuit of profit has become a goal in its own right, and this puts pressures on people to compromise their standards, not just ethically, but in less important areas also. For example, a very rude manager might be tolerated because he (it usually is a he) makes large profits. So when good behavior and good profits come into conflict, businesses find it difficult to resist the profits.
4. Businesses are only the people who work there;

businesses don't decide anything – it's the people who make decisions. But businesses have group cultures with their own norms and standards. Individuals have a strong need to fit in and be accepted, so it is very difficult for any individual to stand up against attitudes and decisions they disagree with.

5. Greater wealth in the western economies means people have less tolerance for ethically dubious behavior. We are no longer so desperate for growth and employment at any cost. People are also better educated and better informed. People are less deferential i.e. they are less accepting of what people in authority say. So there are higher expectations of how businesses should behave.
6. Businesses have to sell to consumers and employ workers who have their own standards and opinions. They are not going to buy from or work for a business they disapprove of. So there is a competitive pressure for better behavior from businesses.
7. Many managers and owners have ambitions of social acceptance and recognition and so are not going to get caught behaving unethically.
8. Modern technology creates ethical dilemmas which never existed until quite recently. Medical products, and gene technologies, are a good example of this. Should parents be allowed to alter the genes of their unborn children, and should businesses sell the products to do this?

You can see that these factors all pull in different directions. It has got a lot more difficulties and a lot more complications. Some businesses set up special committees to discuss and decide ethical problems, and they may even employ a professional philosopher to help them.

Yet a famous cliché about business maintains that, "the business of the business is to do business". And most of the times it is almost impossible to satisfy the challenging requirements of the business, to satisfy the interests of the stakeholders and simultaneously to provide services to the society which is considered to be one of the highest ethical values. This mystifies the bleakness of the situation. Here it is also important to notice the effects of following ethics on businesses:

Effects of Ethical Behavior:

1. Increased costs as businesses try to do what is expected e.g. not pay bottom wages, or dump pollution cheaply at sea.
2. Conflict between profit and ethical standards.
3. Business practice and organizational culture will have to be changed.

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4. Changes in relations with suppliers. This may mean passing the same standards down the supply chain, and severing relations with suppliers not prepared to meet the same standards. Alternative suppliers may be more expensive. For example, the export of Brazilian mahogany is illegal for reasons of conservation, but it is very difficult (and expensive) to buy mahogany that is absolutely guaranteed to come from an officially recognized sustainable source.

In such a situation, is it right to expect a business to work ethically and moreover the ethics themselves stand on the slippery grounds. One argument is that businesses are products of the society in which they operate, in which they sell their products, and in which they hire their employees. So businesses should be expected to reflect the ethical standards of the surrounding society. One problem with this view is that society doesn't always have clear ethical standards to which businesses can stick. For example, some people care passionately about animal experiments, and argue it is deeply unethical, whereas many other people say such experiments are justified if real people benefit medically from the research. What is a business supposed to do?

The opposite argument is that businesses are supposed to make a profit for their owners, to create jobs for employees, and to create wealth for society as a whole. Anything else is at best an irrelevance and at worst simply gets in the way of profitable businesses.

The middle argument is that businesses in the real world (or most of them, at least) would like to do both, if possible. But there will always be conflicts. What then happens? Does the business stick with the ethical behavior? Usually the business will go for the profits and it is this which upsets many people, although perhaps people sometimes expect too much and haven't really thought through the consequences of their own opinions.

But as every dark cloud has a silver lining. In the light of recent corruption scandals in India, corporate honchos are now concerned about governance issues. The business heads realized that both the supply and demand side parties are responsible for corruption and unethical behaviour, can down-rail economic growth of the country, is a positive sign for business ethics managers in India. Finally, they can get budgets for business ethics programs and trainings approved. It is good to strike while the iron is hot. Here are my top three focus areas for improving an ethics program.

1. Build Ethical Culture into Business Processes and Strategy: One of the business attitudes in India is that business cannot be done without paying bribes, hence receiving kickbacks is justified. The mindset is that an ethics program is not practical as business will suffer. For

business growth some compromises need to be done. This thinking makes a code of conduct a document without much strength. Ethical behavior is considered insignificant in evaluating managers' performance.

Hence, the need of the hour is to build ethical culture as part of business strategy. Processes for monitoring ethical behavior need to be implemented. For example, performance appraisals of employees should incorporate bonus points for the ethical means adopted to meet targets. If unethical methods are used to achieve targets some penalty points should be awarded. In recruitment itself, reject candidates who have falsified information even slightly.

Next, in a few cases senior managers formulate strategies considering the political connections and propensity of politicians to accept bribes. Ethics managers must change this attitude of senior managers. Do this by assessing growth and risks on parameters of clean business operations. Present a business case to senior management emphasizing the political, legal and reputation risks in case unethical practices are adopted for implementing business strategies.

2. Changed Mindset of Employees: In India, even a youngster will tell you that it is practical to be corrupt. If a person speaks of ethical behavior, the person is most likely to be viewed as an idealist with their head in the clouds. This cynicism makes it difficult to implement an ethical work culture.

I could not find India specific data to illustrate my point. However, I did find a report "Character Study Reveals Predictors of Lying and Cheating" conducted by Josephson Institute. The results indicate that cynics are - "Three times more likely to lie to a customer (22% vs. 7%), inflate an expense claim (13% v. 4%), or inflate an insurance claim (6% vs. 2%). Additionally, cynics are more than twice as likely to conceal or distort information when communicating with their boss (24% vs. 10%)." India has a huge number of cynics. Unfortunately, the business cost of this cynical attitude is never analyzed by organizations.

Organizations need to give ethics training to change perceptions and thinking. Providing classroom training or e-learning is not sufficient. Ethical training should involve group discussions, case studies, brown bag sessions and 1 to 1 meetings with senior managers to emphasize the importance of ethics. Secondly, ethics managers believe that once training is given their job is done. This thinking is incorrect. They should implement measurement and evaluation methods to judge the impact of training in employee behaviour and decision-making. Lastly, ethics training is an ongoing process, not once in a blue moon session.

3. Make Code of Conduct Relevant: In my opinion, most of the organizations have a code of conduct that employees sign at the time of joining the organization. New recruits receive a brief overview of expected business conduct in the induction sessions. However, rarely organizations' code of conduct is a living document. It is not unheard of that the code of conduct is too old and policies mentioned in it are not complying with the prevailing business and legal laws. The situation is that nobody bothered to update it regularly. Hence, these documents are not taken seriously. As well as, unfortunately, many decisions involve "gray areas," where there are no apparent solutions. In these cases, the recommended maxim is: "When in doubt about an action to be taken, don't do it."

The ethical issues in business have become more complicated because of the global and diversified nature of many large corporation and because of the complexity of economic, social, global, natural, political, legal and government regulations and environment, hence the company must decide whether to adhere to constant ethical principles or to adjust to domestic standards and culture. These principles deal with values relating to human conduct with respect to concepts such as being good or bad, noble or ignoble, right or wrong etc. These values guide members of a group to act in a manner that is consistent with the values and standards as established. Business ethics are those virtues that business people apply when making business decisions. They are the standards expected within the business world, even if they are not written down and which business people ought to adopt. For instance business people are expected to afflict least suffering to their customers, being fair in their dealings and nurturing an enduring virtuous corporate character in totality.

Managers have to remember that leading by example is the first step in fostering a culture of ethical behavior in the companies as rightly said by Robert Noyce, "If ethics are poor at the top, that behavior is copied down through the organization", however the other methods can be creating a common interest by favorable corporate culture, setting high standards, norms, framing attitudes for acceptable behavior, making written code of ethics implacable at all levels from top to bottom, deciding the policies for recruiting, selecting, training, induction, promotion, monetary / non-monetary motivation, remuneration and retention of employees. "Price is what you pay. Value is what you get" – Warren Buffet.

In my view, this is a good time to review the code of conduct and implement the policies properly. For example, although organizations have sexual harassment policies, India reports one of the highest cases of sexual harassment. As per a recent report India is the fourth

threatening country in the world for women. This clearly indicates that most organizations prohibit sexual harassment only in theory. As the procedures for filing a legal case are long drawn out with high social harassment, organizations may not feel the need to implement the policies. This definitely harms the ethical culture of the organization and the business environment of the country.

Conclusion: Lastly in this paper, I conclude that business ethics is neither "a frivolous, transient, fanciful fad" nor "a temporary, utopian, impractical notion" as some declared early on. Certainly, it is not, as others allege, an oxymoron. It is a vibrant, potent, and complex undertaking developing on many levels. Its three strands (financial, social, and environmental concerns) are intertwined in intricate, dynamic and fascinating ways. It is safe to predict that all three will remain vigorous and closely linked for the foreseeable future. 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 lives. There is a 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. Thus, a manager should treat his employees, customers, shareholders, government, media and society in an honest and fair way by knowing the difference between right or wrong and choosing what is right, this is the foundation of ethical decision making. REMEMBER: GOOD ETHICS IS GOOD BUSINESS. "Non-corporation with the evil is as much a duty as is co-operation with good" – Mahatma Gandhi.

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