



AN EMPIRICAL STUDY ON BUSINESS ETHICS

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Abstract

In this paper an attempt is made to review the principles and practices that are ethical in nature and to suggest the measures to be undertaken by Indian business houses in this respect. This paper is also helpful for the various business and organizations to maintain valuable ethics into their environment.

Introduction

The term “ETHICS” is as old as human civilization. In all old civilization, a systematic study of ethics was conducted for deciding the ultimate problem of human conduct. In India, the terms Naya or Vinaya were used and the concept of satyam, shivam, sundaram is a popular one to define the idea of ethics. The word ‘Ethics’ come from the Greek word Ethos’ means character.

The term “Ethics” is defined by oxford English dictionary as the moral principle or system on a particular leader or school of thought. Ethics is the integrity measures that evaluate the values, norms, beliefs and rules that constitute the base for individual and social relationship from a moral perspective. Professional ethics regulates the relations between individuals within a professional group and their relations with in the community. It also includes the moral principle by which a person is guided by the rules of conduct in certain association or department of human life. Ethical means pertaining to moral or principle morality. The words moral and ethical are very often used as synonymous but the moral is quasi – religious while ethical is quasi legal.

General Principles

Integrity

Businesses, while performing their activities, consider the principle of integrity in their relations with customers, employees, shareholders, group companies and other businesses, Institutions and corporations.

Impartiality

Believing the importance of respecting people for being successful, Businesses do not make any discrimination among their employees or their customers, and avoid any prejudiced behavior.

Reliability

In all services and transactions, organizations serve the customers in a mutual understanding of confidence, and provide their customers with clear and accurate information, and render customer services completely and on a timely basis.

Transparency

Any of the businesses inform their customers in a clear and lucid manner on subjects such as rights and obligations, benefits and risks of the products and services provided to them.

Reasons of Reconsideration of Business Ethics of Corporations

Business in India is now undergoing a sea-change due to the reform process started way back in 1984. These reforms got a momentum in 1991 as India started globalization and deregulation of its corporate sector. In the regime of controlled economy, the maximum reliance was on stricter regulations, rigid control and use of public sector undertaking for setting standards and ethical practices. In the new deregulated and open economy, emphasis has shifted to self regulation, internal codes of best practices and the legal provisions to help and create the atmosphere helpful to such self regulation and internal code of best practices. Various attempts made to deregulate the Indian industry have resulted into nightmares because of poor ethical practices and lack of self – regulation.



In the liberalized business environment, the Indian companies will have to replace their old thus for priority to enhancement of shareholders' value, maximum scope to professional management, participative decision making, transparency in dealings, competitive service to customers, prevention of pollution, conservation of natural resources etc. Their business practices are requires to be based on ethical self-discipline rather than government regulations.

This action can be categorized into different levels and areas where each level has a significant contribution towards the formation of the entire ethical system.

1) Individual Level

At this level, ethics are usually a product of personal upbringing, schooling, religious, affiliation and organizational group dynamics. Any ethical considerations that are unclear can be cleared through friends, teachers or religious leaders; attending seminars can help in gaining a better insight and perspective and in becoming familiar with organizational attitudes.

2) Organizational level

This level helps in shaping the ethical climate of the organization. The top management should play a strong ethical role model to ensure that ethics creates through all levels of management. The ethical aspects of goals, priorities and activities should be providing. The management should also ensure that all ethical elements are respected and followed by one and all. Issues like employee monitoring, legislating love, etc.

3) Societal Level

At this mode, formatting ethics can be governed by law. Laws against bribery, industrial espionage, etc. Should be enacted and forcefully implemented. Unethical practices not covered by the legal frame work should be minutely observed and rectified. For example using "call girls" for getting business deals should be discouraged. Also, the society must make it known to all as to what is ethically acceptable and what is not.

4) International Level

It requires a closer look and analysis. All business deals should be conducted through universally accepted standard of ethics. Payment of unauthorized commission to the government employees or their representatives should be discouraged by imposing severe penalty on those found guilty. Any violation of ethical practices should be seriously viewed and economic ties with such countries are broken. Having an international body to look after ethical issues should be considered.

Ethical Principles

The major ethical values that form a core group of ethical principles are 1) Honesty 2) Integrity 3) Promises 4) Fairness 5) Respect 6) Pursuit of excellence 7) Accountability 8) Concern 9) Loyalty.

With concern to the values and ethics it has been derived through Indian thoughts, several ideas have been proposed by different professors.

1. The concept of self in man has to embrace the spiritual dimension beyond the physical, social, economic dimensions
2. The creative energies of human beings are derived from and rooted in supreme creative intelligence.
3. Managerial decision-making requires the interplay of both analytical and holistic faculties.
4. The final resolution of managerial conflicts lies in reorganization of self.
5. The key coordination and teamwork lies in realizing that the same "atmas dwell" in all.
6. The quantity of managerial skill and decision-making be improved.
7. Motivational strategies need to be based on "giving model".
8. Ability for effective leadership style requires understanding of three qualities of manastatwa, rajas and tamas.
9. All managerial decisions are subjective in the ultimate analysis and the effectiveness of such decisions depends critically on the purity of mind of the decision maker.
10. The top management is liable of making decisions which should be more ethical.



Institutionalizing Ethics

Managers, especially top managers, do have a responsibility to create an organizational environment that fosters ethical decision-making by institutionalizing ethics. This means applying and integrating ethical concepts into daily action. Purcell and James weber suggests that this can be accomplished in three ways: 1) by establishing appropriate company policy or a code of ethics. 2) By using a formally appointed ethics committee and 3) by teaching ethics in management development programmes.

For ethical codes to be effective, provisions must be made for their enforcement. Unethical managers should be held responsible for their actions. This means that their privileges and benefits should be withdrawn and sanctions should be applied. Although the enforcement of ethical code may not be easy, the mere existence of such codes can increase ethical behavior of clarifying expectations. ON the other hand one should not expect ethical codes to solve all problems. In fact, they can create a false sense of security. Effective code enforcement requires consistent ethical behavior and support from top management.

Another factor that could raise ethical standards' is the teaching of ethics and values in business and in other schools and universities.

These business schools, colleges & universities should-

1. Provides clear guidelines for ethical behavior.
2. Teach ethical guidelines and their importance.
3. Set up control that checks illegal or unethical deeds.
4. Conduct frequent and unpredictable audits.
5. Punish trespassers in a meaningful way to make it public so that it may determine.
6. Emphasize regularly that loyalty to the company does not excuse improper behavior.

Business ethics implies a joint responsibility of organization and their employees. Business law can't incorporate all ethical situations though it serves as a vital mechanism of social control. Responsibility for ethical conduct must rest with the business organizations and individuals as well. Showing path to business ethics demand designing or redesigning organizations in such a manner that their members realize the importance of ethical behavior and are rewarded when they behave ethically and are also subject to negative sanctions or punishments for their unethical behavior.

The most important profession ethics is expressed by the Hippocratic Oath of the Greek physician, *Primum Non nocere* (i.e. Do not harm knowingly) which implies that professionals must evaluate that their decisions, actions will not produce negative effects.

Some of the important ethical practices that a business should follow are given below:

1. Customers should not be deceived or cheated by selling them substandard or defective products, by improper weight or by following such tactics.
2. Business concerns should not resort to black-marketing, hoarding, profiteering etc. Since such practices are against the social interest.
3. Business organizations should not distort competition for creating monopolistic control.
4. No false advertising, labeling and packaging be done.
5. Should not adopt unfair practices so as to damage the competitors image.
6. Must discharge social obligations properly.
7. Should not resort to business combination for controlling production to charge higher prices since it is determinate to common interest.
8. Ensure fair wages and proper treatment to employees.
9. Must maintain business records accurately and make them available to authorized persons.



Trade associations can play an important role for promotions business ethics by the following methods.

1. Trade associations may impart education to the members with a view of making them realize the need and importance of business ethics. Members may be persuaded to follow ethical principles in the conduct of business activities. It helps to improve the image of business community.
2. They may formulate code of conduct for the members so as to guide and regulate their business activities.
3. Trade association may punish a member for violation of code of conduct with a view point of reframing the members from resorting to unfair business practices.

To sum up, business is an organized systematic and logically defining and delegating the authority and responsibility to and functions to earn the profit. Business ethics is a study of ethical norms to apply to the business activities. Modern business is liberalized and globalised for business ethics has become a vital issue in the dynamic socio economic environment. It is more appropriate for the business community to follow air business practices as self regulative measures to avoid outside controls. The term business ethics is multi dimensional that relates to the shareholders, employees, consumers, suppliers, government and community as a whole. Mahatma Gandhi concept of trusteeship was mainly based on the business premise. The unholy union of business bureaucracy and politicians has promoted unethical practices in Indian business.

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