

The Role of Business Ethics in Achieving Success

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Abstract

Business Ethics is now the word of the day. It is the application of the principles of ethics in the area of business and commerce. The functional areas of business management are concerned with the practical application of management principles in different fields of day to day business activities, including marketing, advertising, human resource management, accounting, production & operation management, information technology and so on. In all these areas the manager encounters ethical dilemmas and has to confront many type of unethical practices. The general ethical principles that these areas are supposed to apply include justice & fairness in all dealing. An organisation without any ethical culture is like a ship without rudder. Such an organisation cannot be successful in the long run even though it may earn a hunk of money. In recent years, the failure of most of the well established companies did not occur due to lack of salesmanship, goodwill or strategic planning but mostly because of lack of ethical terra firma. Highly educated, successful business savvy corporate professionals at Enron, Tyco, WorldCom and Satyam got themselves into a big mess mainly because of profound lack of ethics. Therefore the success of any organisation largely depends on the ethical code of conduct. This paper describes the scope and importance of business ethics. The paper also highlights, what code of conduct must be followed to excel in the market with special reference to India's most ethical companies WIPRO and TATA.

Key words: Business ethics, Code of conduct, Corporate Social Responsibility

I am not bound to win, but I am bound to be true. I am not bound to succeed, but I am bound to live by the light that I have. I must stand with anybody that stands right, and stand with him while he is right, and part with him when he goes wrong.

(Abraham Lincoln)

Ethical Crisis

At a time when the world wide stagnation in growth and employment is apparent many people seem to be getting their hands dirty in all kinds of murky activities, with about 50% of Indian companies experience fraud(Pal;2002). Vittal (1999) emphasised that in India corruption is an embracing phenomenon. Raja Raman (2003) reported the study by Friedrich Schneider estimating the national accounts shadow(black) of 110 countries for the period 1999-2000 and found Asia's shadow economy at 29% of the official GDP and India's shadow economy at 23% of the official GDP. Alarming figures have been noted by the KPMG's Fraud Survey -2002; expense accounts37%, secret commissions/kickbacks 30%, forged documents 18%, misappropriation/ diversion of funds 18% and false/ incorrect information 17% are the areas where majority of rupees losses occur due to fraud. Almost 75% of corporate India surveyed felt the overall incidence of fraud was raising, according to India Fraud Survey Report 2010 by KPMG. The report also pointed out that e-commerce and computer related frauds would be major concerns to companies in the coming years. Weak internal control system, eroding ethical values and reluctance on the part of the line managers to take decisive action against the perpetrators, are cited as the main reason for fraud being on the rise.

Introduction

A business operation includes a collection of people working as a group under a certain authority with an assortment of activities directed by flow at the tops, and run with a view to achieving certain objectives. A business organisation is run more like a machine, where system and discipline are key requirements. This discipline requires some code of conduct to be followed. Business Ethics (BE) is the common agreed upon practice of different moral principles or values. It concentrates on the general nature of morals and the specific moral choice an individual makes in relationship to others. It represents the rules and standards

governing the conduct of member of a profession. Ethics has been defined as "inquiry into the nature and grounds of morality where the term morality is taken to mean judgements, standards, and rules of conduct" (Taylor, 1975, p.1). It is not easy to assess ethical behaviour owing to the fact that good and bad qualities are arbitrary in nature. However, there are some basic guidelines that can help one to assess whether the path taken by him /her is ethical or not. Experts have a view that ethical dilemmas occur because people fails to place professional needs above personal needs. Hence, ethical misappropriation happens when there is a strong conflict between personal wants and official restrictions. Thus ethics in business practices are reflected through the display of feelings, reasoning, deliberations and actions of individual in the business. Corollary of this would be: "*corporations do not commit crimes, people working for it do.*" Business organisations have the moral responsibility to ensure that their policies and practices are fulfilling legal as well as moral standards of the society & the country. They cannot indulge in immoral activities to unfair in business practices, harm the health of consumer or cause damages to environment.

Methodology and Objectives of Study

India's most ethical two companies i.e. WIPRO & TATA have been selected for studying their ethical code of conduct. The annual reports on COC (code of conduct) available on their websites have been investigated to check their current COC.

Objectives of Study

The objective of the study is to understand the scope and importance of business ethics and second objective is what code must be followed to achieve greatest heights.

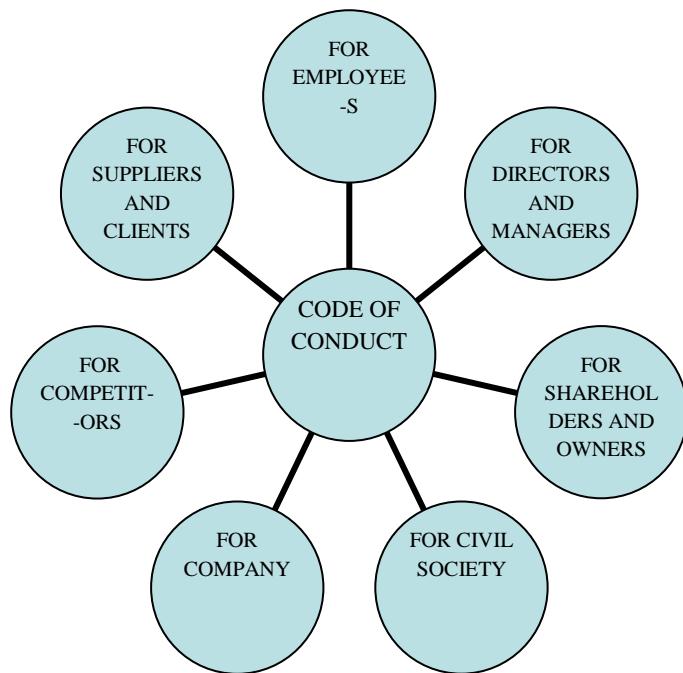
Business: A business can be for a profit entity, or a non-profit organization engaged in business activities such as agricultural cooperative. It includes any commercial, industrial or professional activity undertaken by individual or a group.

Ethics: These are the behavioural norms or a pattern that springs from one's view of good and bad, right and wrong. It is an activity based concept.

Code of Conduct: A code of conduct is a set of rules outlining the social norms and rules, responsibilities of, or proper practices for, an individual, party or organisation. A common

code of conduct is written for a company, which protects the business and informs the employees of the company's expectations. The document does not need to be complex or have elaborate policies, but the file needs a simple basis of what the company expects from each employee.

Ethics are necessary element because they ensure the right and just to the interest of all stakeholders involving employees, clients, shareholders, suppliers and business partners. Ethics guarantee the compliance in respect of obligation for direction & management.



Scope of Business Ethics

It encompasses different levels of activities: Individual level, Organizational level, Association level, Societal level, Internal policy making, Global level. When we are particularly taking about the functional areas of business management which is concerned with the practical application of management principles in different fields of day -to-day business activities including marketing, advertising, human resource management, accounting production and operational management, information technology and so on.

Five P's of Ethical Power:

Blanchard and Peale suggested five P's framework of ethical power in a business function. These are:

Purpose: It reflects in corporate mission flows from faith in professional management to transform society.

Perspectives: It means to establish ethical credibility, enhancing quality of life individually, professional attainment, and mission in line with national goals, respect for laws and excellence through moral and performance touchstone.

Patience: It is waiting for the right time.

Persistence: Hurdles come in the way of ethic approach but one need to persist and struggle.

Pride: Self- esteem on individual and collective basis is the basic tenet of ethical power.

Business Ethics and CSR

Social Responsibility and business ethics are often regarded as the same concepts. However, the social responsibility is one aspect of the overall discipline of the business ethics. The CSR movement arose particularly during the 1960s with increased public consciousness about the role of business in helping to cultivate and maintain highly ethical practices in society and particularly in the natural environment. To be competitive companies must offer products and services that are specifically customized to meet the needs of individual consumers (Daft, 2001, p.207). This implies that business must employ product development processes that interact dynamically with customers that they perform more constant and precise monitoring of overall market trends. In short the free flow of information made possible in the digital age will put customer at the centre of business priorities and strategies.

Why Business Ethics

BE is necessary to give guidance to uphold the interest of stakeholders including consumers, shareholders, suppliers, distributors and investors. BE is necessary to remind the business firm that it is the moral duty of the firm as a part of society to undertake some social responsibilities. The following are the primary objectives of BE.

- BE is concerned with the application of ethical standard and value to business.
- It teaches managers to run the business on ethical lines.
- The rules of business ethics enable a business firm to identify the areas which are not practising ethical principles and therefore can prescribe the necessary ethical code.
- BE can help a firm to make business decisions and strategy which are morally fair, just and consistent.

The importance of ethics can be justified with the example of two Indian companies, got place in the list of most ethical companies. WIPRO and TATA Power are among the world's most ethical companies according to the American think tank Ethisphere Institute.

Wipro's Code of Conduct

SPIRIT OF WIPRO

- Intensity to win
- Act with Sensitivity
- Unyielding Integrity

WIPRO has its own unique kind of code of conduct

The code of business conduct (COBC) is designed to help employees recognize & deal with ethical issues in their work. It is a guide to help whenever there is a question about an ethics or if employees are faced with an ethical dilemma.

COC for Employees

Wipro has thousands of employees working for it with unique perspectives & aspirations. They all are bound to act in a professional, honest & ethical manner when acting on the behalf of company. The employees are bound to tell truth when responding to an investigation or audit and can never alter or destroy records in response to an investigation. No reason should ever be an excuse for violating laws, regulations of the COBC or policies.

Ethical Leadership

- They should lead by example. Managers are expected to exemplify the highest standards of ethical business conduct.
- Employees must create an environment that focuses on building relationships based on mutual respect & communication.
- Employees must be aware of their authority & delegate only where it is permissible.

Making Right Choice

Before making any choice employees must go through the answers of these questions.

- ✓ Is it right thing to do? Is it legal? Is it consistent with our policies?
- ✓ Have I considered all the options?
- ✓ Is the action consistent with the spirit of WIPRO?
- ✓ What would be the impact of my actions on others?
- ✓ Can I honestly say I'd be proud of my choice?

Prevention of Retaliation

Managers must listen openly to concerns about misconduct, respond appropriately and never retaliate against those who raise issues in good faith.

Accountability & Discipline

WIPRO has taken appropriate disciplinary action including up to termination against any employee, agent, contractor or consultant where actions are found to violate the policies of WIPRO.

COC for Customers

Maintaining good customer relations are priority at WIPRO. Quality products are produced and delivered to attain consumers trust

WIPRO has a fundamental responsibility to ensure that customers have faith in the quality of service and product. The primary objective is to provide products of highest quality. Advertising must never misrepresent, deceive or be likely to mislead customers.

Protecting Consumer Information

- ❖ Protection of personal information of current & former customers, as well as job applicants, business partners.
- ❖ Access & use personal information solely for legitimate business purpose.
- ❖ Any breach of this will be forward to Security Incident Reporting (SIR) through the company's intranet system.

One principle is clear at WIPRO that they do not accept or provide gifts, favors or entertainment if the intent is to influence a business decision. No gifts entertainment or business courtesy can be offered to government officials.

Communication with Public

Company remains careful when writing communications which might be published. Employees are guided to be mindful of co.'s standards and before going to click send or submit.

WIPRO has COC for the following **activities** as well

- Protection of Assets, Information, Intellectual Property
- Protection to the privacy of Employee Personal Information
- Accuracy of business records and proper internal control

COC at WIPRO also deals with the following issues-

Prohibition of Insider Trading, Fair Competition, Anti- Corruption, Diversity and non-discrimination, Harassment free workplace, Safe & healthy working Environment, Abolition of forced Labor,

A written approval is required from CFO for political involvement/ lobbying.

Any action at WIPRO must pass the triple test (i.e.)

Is it legal?

Is it Ethical?

Does it maintain and build reputation?

Code of Conduct at TATA

"We do not claim to be more unselfish, more generous or more philanthropic than other people. But we think we started on sound and straightforward business principles, considering the interests of the shareholders our own, and the health and welfare of the employees, the sure foundation of our success." Jamsetji Tata (founder TATA group)

Values at TATA

- ❖ Unity
- ❖ Responsibility
- ❖ Excellence
- ❖ Understanding
- ❖ Integrity

TATA has a set of core principles

- Commitment to the highest moral & ethical standards.
- Compliance with the laws of the countries in which co. operates
- Social development
- No compromise of safety at work place, provision for good working conditions
- Respect of Human Rights
- No engagement in unfair trade practices
- Balance the interest of all parties
- Act with professionalism, honesty and integrity
- Contribution towards Economic development

COC for Employees

- Equal opportunities are given to all the employees. The co. is having fair, transparent & clear employee policies which promote diversity & equality.
- All employees are guided to work with dignity and respect. Bribery & corruption is not at all encouraged. Gifts & hospitality from business associate is accepted only if it has modest value and does not create a perception that the giver is entitled to professional treatment of any kind.
- Taking employment, accepting a position of responsibility or running a business outside employment will create conflicts. The employees need a prior approval for any such activity.
- Employees will be held responsible for willful omissions or material misrepresentation that would compromise the integrity of records.
- No employee can indulge himself in activities such as Insider Trading.
- There is strict prohibition of drugs and substances at workplace.

COC for Customers

-CO. is committed to supply products and services of world class quality. There must not be any unfair or misleading statements about the products.

-Safeguarding of personal information in accordance with applicable law.

TATA seek to prevent the wasteful use of natural resources and are committed to improving the environment, particularly with regard to the emission of greenhouse gases, consumption of water & energy and management of waste and hazardous materials.

Value Chain Partners

Company ensures that the suppliers are having same value as the company is having. They are expected to abide by the code in their interactions with & behalf of the co.

TATA has a sound COC for the following issues as well:

-Maintenance of accurate records.

- Information to stakeholders in a fair, accurate, timely manner.
- Every person directly or indirectly expected to be held accountable for his or her inappropriate behavior towards the policies of company.
- TATA acts in accordance with the constitution & governance system of the countries. They do not seek to influence the outcome of public elections nor to undermine or alter any system of government.

“Ethical behavior in business – in every sphere and with all constituents – has been the bedrock on which the Tata group has built, and operates, its enterprises. This has been an article of faith for the group ever since its inception, a fundamental element of our cherished heritage and the essence of our way of life.” (Ratan Tata)

What Code of Ethics to be followed?

After having an idea of COC followed by India's most ethical companies we can say that the following issues must be properly addressed and followed by companies.

There must be body ideally an ethics committee, made up with sufficient power to apply the code & correct infractions. The mission & values of the companies must be defined and defend in accordance with its code of ethics. There must be balance between the salaries and compensation for the work done by the employees. Management must also seek the accurate of GAAP. The books & ledgers must be accurate in an honest manner. Transparency must be the priority of concern. There should not be any veil between the activities and their reporting. The administrative body of any company needs to bring fairness in each function performed on or behalf of company. The organisation must ensure ethical & licit relationship with its suppliers. They are also expected to compete in good faith; no unfair practices must be followed by them. Companies must maintain the principle neutrality, without interfering politically in these communities where they carry out their activities.

Conclusion

Reputation is one of the most important assets of any company; and one of the most difficult to rebuild if lost. Ethics are the essential ingredient to gain reputation & stay like that for long run. Employees feel sense of pride if they are working with an organization with strong business ethics. Customers are also at ease buying products or services from the company they know to source their materials & labor in an ethical & responsible way. The reliability of any business can be judged through the loyalty of consumers; and it can only be attained with the use of a proper Code of Conduct at all levels. It is said that "nothing succeeds like success", however no success can be possible without efforts. It prompts us to redefine our behavior, our thought patterns and our beliefs, not only in regard to success but also to life in general. It has been observed that transparent, ethical leadership and honest internal & external communications protect a co.'s most prized asset- its credibility.

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