

Role Of Ethics In Modern Business Paradigm

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ABSTRACT

Business ethics is the study of proper business policies and practices regarding potentially controversial issues such as corporate governance, Insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities .Business ethics simply we mean that the application of ethics in business. The study concentrates on how the modern businesses are accelerated by applying the code of conduct in the environment of the business. The article discusses the survival of modern in the present society. The results of this study would help the modern industries in achieving their targeted result in a smooth way. The existing companies can improve their practices and new business can comply with the results for better performance. This article also describes the ethical issues, which are vital to solving the problems related to business, and to give short preface to the moral issues drawn in the management of explicit problem areas in business.

Keywords: Business Ethics, Corporate Governance, Social Responsibility, Ethical Behavior, Code of Conduct

INTRODUCTION

‘Ethics’ commonly means rule or principles that define right and wrong conduct. It may be defined as: “Ethics is a fundamental trait which one adopts and follows as a guiding principle of basic dharma in one’s life. It implies moral conduct and honorable behavior on the part of an individual. Ethics in most of the cases runs parallel to law and shows due consideration to others rights and interests in a civilized society. Compassion on the other hand may induce a person to give more than what ethics might demand”

Recently, there has been an increasing awareness and more importantly interest in the field of Business Ethics. This trend was appreciated in the present stage of globalization. Ethics in

business can be considered as system of moral principles dealing with right and wrong. Ethics is basically an area dealing with moral judgement regarding voluntary human conduct. Moral judgment requires moral standards by which to judge human conduct. Moral standards are also related to moral obligations, or the duty to do what we consider to be 'right' and 'proper'. The main objective of ethics is to define the highest good of man and set a standard for the same.

Business ethics are becoming more and more prevalent in today's business world. Business ethics is a form of applied ethics that studies ethical principles and moral or ethical problems that arise in a business environment. There are an array of issues that have come under scrutiny, including community responsibility, pollution, whistle blowing, and sustainability. Business ethics is the conduct that a business adheres to in its daily transactions with the world. The ethics of a particular business can be different. They pertain not only to how the business interacts with the world at large, but also to their one-on-one transactions with a consumer. Many businesses have obtained a bad reputation just by being in business. To most people, businesses are only concerned with making money, and that is the bottom line. Making money is not wrong in itself. It is the behavior in which some businesses conduct themselves that brings up the issue of ethical behavior. Good business ethics should be a component of every business. There are many factors to consider. When a company does business with another that is considered unethical, they are usually considered unethical by association. The company has a responsibility to investigate the companies that they do business with. Many worldwide businesses, including most of the major companies that we do business with, can be viewed as not practicing good business ethics. Many major companies have been fined millions for breach of ethical business laws. Money is the driving factor. If a company does not comply with business ethics and breaks the laws, they usually end up being fined. In the US alone, many companies have broken anti-trust LAW, ethical and environmental laws and been penalized with fines worth millions. The dilemma is that the amounts of money these companies are making outweigh the cost of the fines.

LITERATURE REVIEW

The Classical economists like Adam Smith and Milton Friedman were of the opinion that the only objective business was profit maximization and business had no right to 'meddle' with ethics. Today many businesses are involved in social action. A decision as to whether companies should extend their social involvement requires a careful examination of the arguments for and against such actions.

Trevino, Hartman and Brown (2000) address the question of what it means to be an ethical leader. Featuring the results of a survey of employees it shows the importance of different dimensions of ethical leadership. A ‘must-read’ for anyone hoping to develop a reputation for ethical leadership!

Recently, however, several authors have noticed a renewed focus on organizational ethics, among them **Lynn Sharp Paine (2003)**, a noted Harvard professor of business ethics. In her book, *Value Shift*, Paine explains that ethics has found its way back onto the agenda of organizational leaders.

The study of **(Parker 1988)** provides a deeper background for most of the more contemporary theories in business ethics. The study made by **(Kaler 1999)**, questions the value and the function of ethical theories and in so doing is very readable and through provoking. In combination with a reply by Tom Sorrell in a later issue of the same journal, this debate helps us to understand the potential and the limits of the theories.

Deetz(1992) reminds us that, by many standards, the business organization has become the central institution in modern society, often eclipsing the state, family, church, and community in power. Organizations pervade modern life by providing personal identity, structuring time and experience, influencing education and knowledge production and directing news and entertainment. From the moment of our birth to our death, organizations significantly influence our lives in ways that often go unnoticed.

PURPOSE OF THE STUDY

The purpose of the study is to contribute to the understanding of business ethics and particularly it reflects the modern business practice with the application of code of conduct. The study concentrates on how the modern businesses are accelerated by applying ethics in the environment of the business. The study also focuses on why the modern business needs the application of ethics in their survival in the society.

ETHICAL PRINCIPLES IN BUSINESSES FROM AN INDIAN PERSPECTIVE

Essentially, any businesses that run in India comprises of these ethical principles.

Integrity

Whenever there is great pressure to do right instead of maximizing profits, this principle is tested. The executives need to demonstrate courage and personal integrity, by doing what-they think is

right. These are the principles, which are upright, honorable. They need to fight for their beliefs. For these principles, they will not back down and be hypocritical or experience.

Loyalty

No ethical behavior can be promoted without trust. And for trust, loyalty needs to be demonstrated. The executives need to be worthy of this trust while remaining loyal to the institutions and the person. There should be friendship in the time of adversity and support and devotion for the duty. They should not use or disclose personal information. This leads to confidence in the organization. They should safeguard the ability of a professional to make an independent decision by avoiding any kind of influence or the conflicts of interest.

So, they should remain loyal to their company and their colleagues. When they accept the other employees, they need to provide a reasonable time to the firm and respect the proprietary information attach to the previous firm. Thus, they should refuse to take part in any activity that might take the undue advantage of the firm.

Honesty

The ethical executives are honest while dealing with their regular work. They also need to be truthful and do not deliberately deceive or mislead the information to others. There should be an avoidance of the partial truths, overstatements, misrepresentations, etc. Thus, they should not have selective omission by any means possible.

Respect and Concern

These are two necessarily different forms of behavior in the organization. But they go in tandem that is why they have been put under one principle. When the executive is ethical he is compassionate, kind, and caring.

There is one golden rule which states that help those who are in need. Further, seek their accomplishments in such a manner that the business objectives of the firm are achieved. The executives also need to show respect towards the employee's dignity, privacy, autonomy, and rights. He needs to maintain the interests of all whose decisions are at stake. They need to be courteous and treat the person equally and rightly.

Fairness

The executives need not be just fair in all the dealings, but they also should not exercise the wrong use of their power. They should not try to use over each or other indecent manners to gain any sort of advantage. Also, they should not take undue advantage of anything or other people's mistakes.

Fair people are inclined more towards justice and ensure that the people are equally treated. They should be tolerant, open-minded, willing to admit their own mistakes. The executives should also be able to change their beliefs and positions based on the situation.

Leadership

Any executive, if ethical, should be a leader to others. They should be able to handle the responsibilities. They should be aware of the opportunities due to their position. The executives need to be a proper role model for others.

NEED FOR BUSINESS ETHICS, MORALS AND VALUES IN BUSINESS

Today, it is considered profit is a must for any business for its existences and growth. In fact not making profit is considered unethical today. Business ethics in simple terms is application of ethics in businesses. Business has to go with its economics as well as social obligations. Any managerial decision has to distinguish between good and bad, right and wrong, just and proper. It is also seen that the ethical companies which took care of their social responsibilities have survived competition and growing. Ethical issues occur in decision making in industry, education. Business is part of society. Whatever ethical principle apply in society apply to business. Example tax evasion is considered unethical in society. If a company deliberately evades tax payments the company is treated unethical. All stakeholders have an eye on the culture and behaviour of a business organisation due to dominance of economics in the society. The public expects a high level of ethical behaviour from the business organizations. High level of morale and productivity can be easily obtained in companies that treat their all employees with equality, encourage good team and work culture, and with ethical practices. The employees in the company as well as those connected feel good and develop a mutual trust. Employees get attraction to ethically and socially responsible companies.

An ethical organisation command trust and respect of all its stakeholders. The organisation builds image for itself. Ethical good image is important because all stakeholders stand to gain. Deterioration of relationships, damage to reputation and reduction of employee productivity, loyalty that come out of unethical practices cost companies. An uncaring employer will find it difficult to employ good professions for his business. The ethically managed companies command respect from public as well as government organizations. 'Fortune' magazine publishes yearly best companies. Similarly Indian wills managed companies are published by 'Business India'. These companies have a brand value and accepted as leaders in the industry.

The company policies with regards to profit sharing bonuses, social responsibility, balance of work and social life are quoted.

REASONS WHY ETHICS ARE IMPORTANT IN BUSINESS

1. Ethics lays the strategic decision-making. Leaders and workers of a business characterized by ethical behavior make decisions that are socially acceptable. They allow all the stakeholders to participate in the decision-making process.

2. They increase employee retention. Employees always want to stay longer in a business where the employers value their rights and opinions. To them, their basic needs are satisfied.

3. An ethical business attracts investors. A business that promotes ethics in its management and operations create an investment-friendly environment. Investors like putting their money where they are sure it is safe.

4. Ethical practices help in building and maintaining reputation. A large part of ensuring business success is down to maintaining a good reputation among your customers. One of the main things that customers will scrutinize when they decide whether they trust or want to engage with a business or not is that business's ethics. If you can brand yourself explicitly as an ethical business, so much the better!

5. Good Business ethics is the key to enhancing productivity. People will work harder at their jobs if they believe that what they are doing is ethical. They will not be held back by moral qualms, and they may feel extra motivated to work because they feel that by doing so they are making the world a better place. So if you want to make a normal profit rise and rise until you are making big bucks, you need to keep your business totally ethical.

6. Ethics create customer loyalty. A reputation build on good ethics helps create a positive image in the marketplace. This, in turn, makes customers trust your products and services. They also pass information to their friends and family, hence, creating more customers for you.

7. A business that values ethics attracts more suppliers. A business without suppliers is as good as a failed enterprise. Suppliers are attracted to a company that appreciates what they supply and pay for them promptly.

8. Ethics reduces business risks. As trust and loyalty are built on ethics, chances of losing potential customers, suppliers, employees and even the company itself are minimal.

9. It improves a company's bottom line (last line that shows profit or loss). The bottom line of your business will increase since costs and risks are reduced.

10. Ethics lead to sustainable growth in sales. An increase in customers leads to an increase in demand. Therefore, more goods and services are sold. It may seem that a little selfishness might help your business; however this is never the case. Selfish or unethical actions may seem to give your business a temporary boost, but they will thwart your long term goals. Ethical action is the key to sustainability and success in business.

11. Good ethics in a business boosts the morale of the employees. Good business ethics involves rewarding your employees. When an employee is rewarded, he/she works harder leading to more profits.

12. Ethics helps in building consumer confidence. Other than customer loyalty, business ethics makes consumers believe in you even during difficult times. For example, when a company's product is found to be faulty and the company takes full responsibility, consumers are bound to trust that it was just a mistake.

13. Ethics enable a company to make good use of the limited resources. Instead of wasting the company's resources on themselves, company leaders can put them to good use.

14. Ethics in business allows for healthy competitions. It is common to find two or more companies that offer similar services and goods. A company characterized with ethical behavior will not engage in malpractices such as spreading false information about the other company or lowering their prices. Instead, they will allow the customers to choose where they like.

15. Ethics lead to long-term gains. A company that values ethics believes in small, but long-term benefits rather than big, but short-term returns.

16. Ethics helps in maintaining quality. An ethical company will strive to deliver goods and services of high quality to their customers even in times when the demand is higher than supply.

17. Ethical practices foster community improvement. Ethics teaches the art of giving back. Ethically oriented companies will help a community to be better through things like road construction or schools construction.

EFFECTS OF A LACK OF ETHICS ON A BUSINESS ENVIRONMENT

In light of Ponzi schemes and company scandals, the business industry has developed a reputation for its lack of ethics. In an industry where getting ahead and making money appear to take precedence over ethical decision making, it can seem difficult to understand the importance of ethical behavior in business. A lack of ethics leads to a wealth of problems for a business.

Legal Issues and Ethics

In the United States, federal and state governments establish rules and procedures for how a business should be run. Businesses that fail to follow federal and state guidelines often face large fines and other penalties. Larger companies sometimes decide that breaking laws and paying the fines involves lower costs than the financial gain made from breaking those laws. However, consistently breaking laws can lead to costly legal battles that outweigh the initial gain.

Impact on Employee Performance

A lack of ethics has a negative effect on employee performance. In some cases, employees are so concerned with getting ahead and making money that they ignore procedures and protocol. This can lead to additional paperwork and careless errors that result in the task having to be completed again. A

Employee Relations Are Affected

When a manager or head of a business exhibits a lack of ethical behavior, he faces losing the respect of his employees. It is difficult to have a successful business without well-respected leaders. A lack of ethical behavior can also cause tension among employees, with some employees resenting those who do not play by the rules and still manage to get ahead.

Damage to Company Credibility

If a lack of ethics in a business becomes public knowledge, that business loses credibility. While some businesses survive public knowledge of a lack of ethics through reimagining and advertising campaigns, many lose a key customer base. Even if a business recovers from news about its lack of ethics, it takes a lot of time and money to restore its image and consumer confidence. Customers that abandon a company because they are dismayed by poor ethical practices will find other products and services to meet their needs.

Preventing Unethical Behavior

Often a lack of ethics appears because of poor planning and faults elsewhere in the business. To prevent unethical behavior, set realistic goals for employees. If employees are expected to meet unreachable quotas and goals, they could engage in unethical behavior to attempt to reach those goals. Consistently monitor employee performance. Employees left unmonitored sometimes slack in their performance and take credit for completing tasks that were left uncompleted. Properly train all employees. Untrained employees often cut corners and make excuses for not completing work up to the standards the business requires.

VARIOUS COMMITTEES REPORTS ON SOCIAL RESPONSIBILITY AND BUSINESS ETHICS

The company must behave and function as a responsible member of society, like any other individual. It cannot be escaped from moral values nor can it ignore actual compulsions. The real need is for some focus of accountability on the part of the management which is not limited to shareholders alone. In modern times, the objective of business has to be the proper utilization of resources for the benefit of other. A profit is still a necessary part of the total picture, but it is not the primary purpose. Various committees have been presented their views on social responsibilities of Business units. Some of the reports are given as under:

BIRLA Committee Report

The report of the Committee on Corporate Governance, set up by the SEBI under the Chairmanship of Kumar Mangalam Birla, is the first formal and comprehensive attempt to evolve a code of Corporate Governance; in the content of prevailing conditions of governance in Indian companies as well as the state of capital markets. As per the report it is recommended that companies will also be required to disclose separately in their annual reports. Some of the recommendations were mandatory in nature. For the non-mandatory recommendations, the Committee hopes that companies would voluntarily implement these. The Committee, however, felt that under Indian conditions a statutory rather than a voluntary code would be far more purposive and meaningful. The Committee has identified the three key constituents of corporate governance as the shareholders, the Board of Directors and the Management, their roles and responsibilities in the context of good corporate governance.

CADBURY Committee Report

The Committee was set up in May 1991 by the Financial Reporting Council, the London Stock Exchange and the accountancy profession to address the financial aspects of corporate governance. The Committee laid down guidelines regarding the structure of Boards and code of best practice relating to it.

CONCLUSION

In Indian society there are three sources of business ethics-Religion, Culture and Law. The Human Resource Manager in every organisation, thus, has to be well versed with the unique system of values developed by these three sources. Religion is the oldest source of ethical inspiration. Every religion gives an expression of what is wrong and right in business and other

walks of life. Culture serves as a sense making and control mechanism that guides and shapes the attitudes and behaviour of people. The legal system of our country, guide the human behaviour in the society. Whatever, ethics the law defines are binding on the society. The society expects the business to abide by the law. Being ethical does not mean not making any profits. Every organisation has a responsibility towards itself also i.e., to earn profits. But Ethical values of an organisation create credibility in the public eye. People will like to buy the product of a company if they believe that the company is honest and is offering value for money. The public issues of such companies are bound to be a success.

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