

Business Ethics in India: Importance, Issues

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ABSTRACT

Unethical business in India became a recognized phenomenon during the second World War. Academic/journalistic/legal concern with ethics has become visible only during the nineties. Corruption-of-the-poor and corruption-of-the-rich need to be distinguished - especially in the context of globalization. The danger of attributing unethical practices to system failure is recognized. It is also important to bring to bear on intellectual property rights the more fundamental principle of natural property rights. Consciousness ethics will be more crucial than just intellectual ethics. Ethics concern an individual's moral judgments about right and wrong. The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. Today, it seems like the larger a corporation gets, the slimier their actions become. Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behavior (Maitland, 1994). Money is the major deciding factor (Seglin, 2003). If a company does not adhere to business ethics and breaks the laws, they usually end up being fined (Drucker, 1981). Many companies broken antitrust, ethical and environmental laws and received fines worth millions (Velasquez, 1983). Now in this review focusing on Indian business houses we will study the status of ethics in their practices and the need and possibility of revival there.

KEYWORDS: ETHICS, IMPORTANCE, ISSUES, CASE STUDY

INTRODUCTION

Business ethics are the moral principles that act as guidelines for the way a business conducts itself and its transactions. In many ways, the same guidelines that individuals use to conduct themselves in an acceptable way – in personal and professional settings – apply to businesses as well. Acting ethically ultimately means determining what is “right” and what is “wrong.” Basic

standards exist around the world that dictate what is wrong or unethical in terms of business practices.

For example, unsafe working conditions are generally considered unethical because they put workers in danger. An example of this is a crowded work floor with only one means of exit. In the event of an emergency – such as a fire – workers could become trapped or might be trampled on as everyone heads for the only means of escape. While some unethical business practices are obvious or true for companies around the world, they do still occur. Determining what practices are ethical or not is more difficult to determine if they exist in a grey area where the lines between ethical and unethical can become blurred. While the idea of business ethics came into existence along with the creation of the first companies or organizations, what is most often referred to by the term is its recent history since the early 1970s. This was when the term became commonly used in the United States.

The main principles of business ethics are based in academia and on academic writings on proper business operations. Basic ethical practices have been gleaned through research and practical study of how businesses function, and how they operate, both independently and with one another.

The second major meaning behind the term is derived from its close relationship and usage when scandals occur. Companies selling goods in the U.S. that were created using child labor or poor working conditions is one such scandalous occurrence.

IMPORTANCE OF BUSINESS ETHICS

1. **Control Business Malpractices:** Business ethics directly influence the operations of the business. It is the one which helps business in deciding what is wrong and what is right. These ethics set certain rules and principles to be followed strictly by business, and their violation leads to a penalty. Implementation of these principles ensures that business does not indulge in any unfair practices like black

marketing, providing misleading advertisement, frauds in measures and weight, adulteration, etc. Through business, ethics works on providing better products to its customers at reasonable prices.

2. **Better Relation with Employees:** Employees are an important part of the business and necessary for the survival of the business. Business ethics ensures that business works for the welfare of its employees working with it. The business should not only work for the achievement of its objectives like profit maximization and higher growth but should also focus on peoples working with it. These ethics ensures that business provides better monetary compensation and good working conditions to its employees, active participation in decision making, addressing complaints, and providing promotions as per their progress. This helps in maintaining a good relationship with employees.
3. **Improves Customer Satisfaction:** The consumer is termed as king in the market and is the one who decides the success or failure of every business. It is important that the business fulfills the needs of its customers. Business ethics provides principles for business operations under which it is required to provide better quality products at reasonable prices. It ensures that the business provides better customer support and redressal of all complaints. This helps businesses in improving the satisfaction levels of its customers.
4. **Increase Profitability:** Business ethics improve the productivity and profitability of every business. It sets certain rules to be followed by every person working with the business. Every employee is required to adhere to these rules and should focus on its duties with sincerity. These ethics ensure that there is no wastage of resources, and every resource is efficiently utilized. This eventually leads to an increase in business profit in the long run.
5. **Improves Business Goodwill:** Business goodwill has an important effect on capturing the market. Better goodwill businesses are able to attract more and more customers. By implementing ethics in its operations business aims at providing better service to the market. Businesses that work ethically operate at the low-profit base and with honesty. This develops a better image in front of the public and is easily accepted by customers with fewer efforts.
6. **Better Decision Making:** Ethics in business helps them in making better decisions timely.

It provides certain rules and guidelines that every business needs to follow in its operations. Every decision is taken in light of the moral principles and social values provide through these ethics. It helps businesses in deciding what is right and what is wrong. Every person working within the business is required to respect these ethics, violation of which would lead to the penalty.

7. **Protection of Society:** Society is very important for the success of every business. If a business does not consider the interests of its society, then it will harm its survival. Business ethics direct that business should work for the welfare of its society and take part in various infrastructural development programs. It ensures that business contributes actively to its corporate social responsibility. A business should not perform any activity that creates a problem for the society in which business exists.

What Are Ethical Issues in Business?

Ethical issues in business encompass a wide array of areas within an organization's ethical standards. Fundamental ethical issues in business include promoting conduct based on integrity and trust, but more complex issues include accommodating diversity, empathetic decision-making, and compliance and governance that is consistent with the organization's core values. According to the Global Business Ethics Survey of 2019, 25% of employees still feel that their senior managers do not have a good understanding of key ethical and compliance business risks across the organization.

In order to manage the ethical issues in business that arise in your organization, you first need to develop a thorough understanding of what those issues can look like. Understanding how to detect and, most importantly, deter these issues before they become a problem can ensure your focus stays on business growth and success instead of remediation.

1. Harassment and Discrimination in the Workplace

Harassment and discrimination are arguably the largest ethical issues that impact business owners today. Should harassment or discrimination take place in the workplace, the result could be catastrophic for your organization both financially and reputationally.

Every business needs to be aware of the anti-discrimination laws and regulations that exist to protect employees from unjust treatment. The

U.S. Equal Employment Opportunity Commission (EEOC) defines many different types of discrimination and harassment statutes that can have an effect on your organization, including but not limited to:

- **Age:** applies to those 40 and older, and to any ageist policies or treatment that takes place.
- **Disability:** accommodations and equal treatment provided within reason for employees with physical or mental disabilities.
- **Equal Pay:** compensation for equal work regardless of sex, race, religion, etc.
- **Pregnancy:** accommodations and equal treatment provided within reason for pregnant employees.
- **Race:** employee treatment consistent regardless of race or ethnicity.
- **Religion:** accommodations and equal treatment provided within reason regardless of employee religion.
- **Sex and Gender:** employee treatment consistent regardless of sex or gender identity.

2. Health and Safety in the Workplace

As outlined in the regulations stipulated by the Occupational Safety and Health Administration (OSHA), employees have a right to safe working conditions. According to their 2018 study, 5,250 workers in the United States died from occupational accidents or work-related diseases. On average, that is more than 100 a week, or more than 14 deaths every day. The top 10 most frequently cited violations of 2018 were:

1. **Fall Protection**, e.g. unprotected sides and edges and leading edges
2. **Hazard Communication**, e.g. classifying harmful chemicals
3. **Scaffolding**, e.g. required resistance and maximum weight numbers
4. **Respiratory Protection**, e.g. emergency procedures and respiratory/filter equipment standards
5. **Lockout/Tagout**, e.g. controlling hazardous energy such as oil and gas
6. **Powered Industrial Trucks**, e.g. safety requirements for fire trucks
7. **Ladders**, e.g. standards for how much weight a ladder can sustain
8. **Electrical, Wiring Methods**, e.g. procedures for how to circuit to reduce electromagnetic interference
9. **Machine Guarding**, e.g. clarifying that guillotine cutters, shears, power presses, and

other machines require point of operation guarding

10. **Electrical, General Requirements**, e.g. not placing conductors or equipment in damp or wet locations

However, health and safety concerns should not be limited to physical harm. In a 2019 report conducted by the International Labour Organization (ILO), an emphasis was placed on the rise of “psychosocial risks” and work-related stress and mental health concerns. Factors such as job insecurity, high demands, effort-reward imbalance, and low autonomy, were all found to contribute to health-related behavioural risks, including sedentary lifestyles, heavy alcohol consumption, increased cigarette smoking, and eating disorders.

3. Whistleblowing or Social Media Rants

The widespread nature of social media has made employees conduct online a factor in their employment status. The question of the ethics of firing or punishing employees for their online posts is complicated. However, the line is usually drawn when an employee’s online behavior is considered to be disloyal to their employer. This means that a Facebook post complaining about work is not punishable on its own but can be punishable if it does something to reduce business.

In the same vein, business owners must be able to respect and not penalize employees who are deemed whistleblowers to either regulatory authorities or on social media. This means that employees should be encouraged, and cannot be penalized, for raising awareness of workplace violations online. For example, a Yelp employee published an article on the blogging website Medium, outlining what she claimed as the awful working conditions she was experiencing at the online review company. She was then fired for violating Yelp’s terms of conduct. The ambiguity of her case, and whether her post was justifiable, or malicious and disloyal conduct, shows the importance of implementing clear social media policies within an organization. In order to avoid this risk of ambiguity, a company should stipulate which online behaviors constitute an infringement.

4. Ethics in Accounting Practices

Any organization must maintain accurate bookkeeping practices. “Cooking the books”, and otherwise conducting unethical accounting practices, is a serious concern for organizations, especially in publicly traded companies.

An infamous example of this was the 2001 scandal with American oil giant Enron, which was exposed for inaccurately reporting its financial statements for years, with its accounting firm Arthur Andersen signing off on statements despite

them being incorrect. The deception affected stockholder prices, and public shareholders lost over \$25 billion because of this ethics violation. Both companies eventually went out of business, and although the accounting firm only had a small portion of its employees working with Enron, the firm's closure resulted in 85,000 jobs lost.

In response to this case, as well as other major corporate scandals, the U.S. Federal Government established the Sarbanes-Oxley Act in 2002, which mandates new financial reporting requirements meant to protect consumers and shareholders. Even small privately held companies must keep accurate financial records to pay appropriate taxes and employee profit-sharing, or to attract business partners and investments.

5. Nondisclosure and Corporate Espionage

Many employers are at risk of current and former employees stealing information, including client data used by organizations in direct competition with the company. When intellectual property is stolen, or private client information is illegally distributed, this constitutes corporate espionage. Companies may put in place mandatory nondisclosure agreements, stipulating strict financial penalties in case of violation, in order to discourage these types of ethics violations.

6. Technology and Privacy Practices

Under the same umbrella as nondisclosure agreements, the developments in technological security capability pose privacy concerns for clients and employees alike. Employers now have the ability to monitor employee activity on their computers and other company-provided devices, and while electronic surveillance is meant to ensure efficiency and productivity, it often comes dangerously close to privacy violation.

According to a 2019 survey conducted by the American Management Association, 66% of organizations were found to monitor internet connections, with 45% tracking content, keystrokes, and time spent on the keyboard, and 43% storing and reviewing computer files as well as monitoring employee emails. The key to using technological surveillance in an ethical manner is transparency. According to the same survey, 84% of those companies tell their employees that they are reviewing computer activity. In order to ensure employee surveillance does not turn into an ethical issue for your business, both employees and employers should remain conscious of the actual benefits of being monitored, and whether it is a useful way of developing a record of their job performance.

CASE STUDY ON TATA GROUP- WAY TO DO ETHICAL BUSINESS

ACCORDING TO TATA CORE PRINCIPLE CORE PRINCIPLES

1. We are committed to operating our businesses conforming to the highest moral and ethical standards. We do not tolerate bribery or corruption in any form. This commitment underpins everything that we do.

2. We are committed to good corporate citizenship. We treat social development activities which benefit the communities in which we operate as an integral part of our business plan.

3. We seek to contribute to the economic development of the communities of the countries and regions we operate in, while respecting their culture, norms and heritage. We seek to avoid any project or activity that is detrimental to the wider interests of the communities in which we operate.

4. We shall not compromise safety in the pursuit of commercial advantage. We shall strive to provide a safe, healthy and clean working environment for our employees and all those who work with us.

5. When representing our company, we shall act with professionalism, honesty and integrity, and conform to the highest moral and ethical standards. In the countries we operate in, we shall exhibit culturally appropriate behaviour. Our conduct shall be fair and transparent and be perceived as fair and transparent by third parties.

Employees

1 In our company. We do not unfairly discriminate on any ground, including race, caste, religion, colour, ancestry, marital status, gender, sexual orientation, age, nationality, ethnic We provide equal opportunities to all our employees and to all eligible applicants for employment origin, disability or any other category protected by applicable law.

2. When recruiting, developing and promoting our employees, our decisions will be based solely on performance, merit, competence and potential.

3. We shall have fair, transparent and clear employee policies which promote diversity and equality, in accordance with applicable law and other provisions of this Code. These policies shall provide for clear terms of employment, training, development and performance management.

Dignity and respect

4. Our leaders shall be responsible for creating a conducive work environment built on tolerance, understanding, mutual cooperation and respect for individual privacy.

5. Everyone in our work environment must be treated with dignity and respect. We do not tolerate

any form of harassment, whether sexual, physical, verbal or psychological.

6. We have clear and fair disciplinary procedures, which necessarily include an employee's right to be heard.

Human rights

7. We do not employ children at our workplaces.

8. We do not use forced labour in any form. We do not confiscate personal documents of our employees, or force them to make any payment to us or to anyone else in order to secure employment with us, or to work with us.

Freedom of association

9 We recognise that employees may be interested in joining associations or involving themselves in civic or public affairs in their personal capacities, provided such activities do not create an actual or potential conflict with the interests of our company. Our employees must notify and seek prior approval for any such activity as per the 'Conflicts of Interest' clause of this Code and in accordance with applicable company policies and law.

Gifts and hospitality

10 Business gifts and hospitality are sometimes used in the normal course of business activity. However, if offers of gifts or hospitality (including entertainment or travel) are frequent or of substantial value, they may create the perception of, or an actual conflict of interest or an 'illicit payment'. Therefore, gifts and hospitality given or received should be modest in value and appropriate, and in compliance with our company's gifts and hospitality policy.

Integrity of information and assets

11. Our employees shall not make any wilful omissions or material misrepresentation that would compromise the integrity of our records, internal or external communications and reports, including the financial statements. 15. Our employees and directors shall seek proper authorisation prior to disclosing company or business-related information, and such disclosures shall be made in accordance with our company's media and communication policy. This includes disclosures through any forum or media, including through social media.

12. . Our employees shall ensure the integrity of personal data or information provided by them to our company. We shall safeguard the privacy of all such data or information given to us in

accordance with applicable company policies or law.

13. Our employees shall respect and protect all confidential information and intellectual property of our company.

14. Our employees shall safeguard the confidentiality of all third party intellectual property and data. Our employees shall not misuse such intellectual property and data that comes into their possession and shall not share it with anyone, except in accordance with applicable company policies or law.

15. Our employees shall promptly report the loss, theft or destruction of any confidential information or intellectual property and data of our company or that of any third party.

Insider trading

16. Our employees must not indulge in any form of insider trading nor assist others, including immediate family, friends or business associates, to derive any benefit from access to and possession of price sensitive information that is not in the public domain. Such information would include information about our company, our group companies, our clients and our suppliers.

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