

## ETHICAL STANDARDS FOR SUCCESSFUL BUSINESS IN CORPORATES -A CONCEPTUAL REVIEW

**DR. G. MALYADRI**

ASSOCIATE PROFESSOR, DEPARTMENT OF MBA,  
SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT STUDIES,  
CHITTOOR.

**G.L. MEENA**

ASSOCIATE PROFESSOR, DEPARTMENT OF MBA,  
SREENIVASA INSTITUTE OF TECHNOLOGY AND MANAGEMENT STUDIES,  
CHITTOOR.

### *Abstract*

*In this stiff domestic and international competitive era, ethical practices of business are becoming significant matter since corporate keep relationships with various people like their customer, suppliers, creditors, debtors, investors and so on. The relationships are based on ethical practices and mutual trust. Taking business decisions ethically and be competent enough to face the world is the order of the business in the modern corporate globe. This article throws light upon importance of general and professional ethical practices. General ethical practices deals with maintaining corporate social responsibilities through corporate self-regulation bounded with ethical business model to protect the interest of stakeholders and general public. This paper critically reviews the literature relating to the management of ethics within organizations and identifies, in line with other authors, a gap between theory and practice in the area. It highlights the role of management (both as an academic discipline and from a practitioner perspective) in bridging this gap and views managers, with their sense of individual ethical agency, as a key locus of ethics within organizations. The paper aims to address the theory–practice gap by surveying the business ethics literature in order to identify, draw together and integrate existing theory and research, with a particular emphasis upon models of ethical decision-making and their relationship to work values. Such an endeavor is necessary, not only because of the relative neglect of management practice by business ethics researchers, but also because of the current lack of integration in the field of business ethics itself. The paper outlines some of the main methodological challenges in the area and suggests how some of these may be overcome. Finally, it concludes with a number of suggestions as to how the theory–practice gap can be addressed through the development of a research agenda, based upon the previous work reviewed.*

### **Introduction**

Anybody can do business, but doing ethically is very important for the success of it. Success of any business depends on many factors, mainly internal and external management of the company. Internal management refers to managing within the organization like, managing various functions in and around the business (finance, marketing, human resources and

production etc). External management denotes (legal, domestic market and international environment, coping up with recession and uncertainties in the market. Executing these things ethically is very important, since all these factors play a significant role in the business and ethical values grow as most important factors of corporate success. Key intention of this literature is to enhance the border of the debate on corporate success in an era of successful globalization and boost as understanding of its influence further than the fiscal space.

Back in the mid-to-late 1990s, Shipley argued that ‘we are, in the West, experiencing a turn back to ethics’ in organizations (Shipley, 1998, p. 1). However scandals such as that involving the American company Enron continue to occur. It has been argued that this is because business is inherently unethical because of its emphasis upon profit-seeking (Sudhir and Murthy, 2001). Indeed, the enterprise of business ethics is sometimes seen as a contradiction in terms – Werhane and Freeman (1999) describe what they call ‘the joke about business ethics’ (p. 1); ‘It must be an oxymoron’, or ‘I didn’t know business had any ethics’. While such ideas have been convincingly rejected on both academic and pragmatic grounds (e.g. Kaler, 2000), the limited impact of the ethical turn in organizations remains to be explained. In this paper, I argue Ethics is a requisite for any business to get good name and fame to endure for a long period in the competitive market. code of ethics differs from one business to another, depending upon nature of the business. But for every business it is crucial and indispensable to follow ethical measures in day to day business to enhance corporate ethical values to uplift ethical standards in an organization by bringing professional ethics and responsibilities among human resources of the company.

In this stiff domestic and international competitive era, ethical practices of business are becoming significant matter since corporate keep relationships with various people live their customer, suppliers, creditors, debtors, investors and so on. The relationships are based on ethical practices and mutual trust. Taking business decisions ethically and be competent enough to face the world is the order of the business in the modern corporate globe. This article throws light upon importance of general and professional ethical practices. General ethical practices deals with maintaining corporate social responsibilities through corporate self-regulation bounded with ethical business model to protect the interest of stakeholders and general public.

The business ethics can also be understood generally in terms of corporate social responsibility (CSR) (Singer, 1993). CSR is can be categorically defined as the level of economic legal, morality or ethical adapted to values of society expectation (Andrews, 1987; Carroll, 1979, Sathi 1975). The term corporate social responsibility is understood as a subject of manager level but it is also consider in the business ethics literature (Frietman, 1962). The researcher, on the other side business ethics is divided into main Approaches (i) conceptual & (ii) empirical (Preble & Reichel, 1988), The main objective of conceptual approach to maximum

clarity in the meaning of business ethics, moral conduct and social responsibility and also used with the recommended guideline to help the corporate leader to reach on ethical business decision (Braybrooke, 1983; Cavanagh et al, 1981; Hoffman & Moore, 1984).

According to the second approach- empirical approach ((Preble & Reichel, 1988), is used to places emphasis on examining the prevailing ethics, perceptions and attitude / behavior of general public, business peoples and universities students who regarded as the future business leader oftenly. The behavior or the attitude towards ethics of the business is referred to have “the subjective assessment by given individuals with respect to sets of premises that make a various business phosophy (Preble & Reichel, 1988 p 942).

The behavior towards business ethics shaping the core component of empirical study of business ethics. They also lighted the importance that some particular groups of individuals attaching to each of the philosophies underline the concept of business ethics.

The literature in classical text in which formed the managerial foundation had researched to recognize the themes as they evolved in literature recognizing the perceptional changing in the concept over time. More over recently literature available also reviewed the concepts and can available to use to understanding the recently changing brought in the concept.

### **Ethics in Business Functional Areas**

**Professional ethics and corporate values go hand in hand. A few vital issues are discussed below**

#### **Ethics in Finance**

Financial ethical norms are indispensable to maintain constancy and synchronization in financial aspects. Ethical violations in finance may lead to contradiction in the day to day activities of an organization. Since it is the life blood for any business and maintaining accounts in a proper manner is so important to avoid accounting frauds. Maintaining accounts and auditing them properly are the integral part of any business. Finance department is focal department in an organization to keep records of the business to smoothen functioning of day to day activities to shun interruptions and to have a close supervision. Because of this reason, monitoring will be facilitated in all kinds of organizations irrespective of the size of business to enrich value of the company by increasing company s profitability and to maximize shareholders value. Shareholders are depending upon audit report of the company since they cannot have an access to internal activities. Decision of investments in a company is based on report which is given by external auditor, when that it is manipulated intentionally or otherwise and if that manipulation is disclosed to public, serious consequences will have to be faced by the

companies. Moreover it will affect the goodwill of the company in the long run. The recent example of Satyam computers scam exposed itself to the accounting irregularities over Rs.7000 crores has been manipulated.

### **Ethics in Human Resource Management**

Human Resource is one of the most important resources for any organization for smooth functioning of the business activities. Good and healthy relationship between the employer and employees is very important for long term survival and to strengthen organization by appropriate rights and responsibilities of the employer and employees. Usually conflicting issues and arise between employer and employees due to many reasons viz., discrimination based on gender, race, religion etc., during recruitment and selection, promotion, poor occupational safety and health, sexual harassment, union strikes, privacy of the employers, unprotected employment laws etc., It was quite a big issue when Fed Ex corporation involved in a controversy over racial discrimination and the whole system of the organization got disturbed. Hence, managing human resources is one of the challenging jobs in modern business world.

### **Ethics in Marketing**

Organization's responsibilities are growing to meet the ethical values. Mere providing goods and services to the customers as are demanded by them or not sufficient. Marketing organizations are gearing up to provide quality goods at reasonable prices, that too much are eco-friendly and which are not health hazardous. Early marketing literature shows the quantum of efforts put forth by the academics and practitioners in bringing a formal science of marketing with the help of strong ethics built for centuries to come.

Many MNC's owned for their success for market orientation. They have found tremendous success by following marketing ethics. Marketers speak of customer relationships these days. They believe in long lasting relationships and their mantra is 'once a customer, always customer'. Losing a customer unnecessarily in a market is as good as committing a crime. Hence no marketer wants to commit a crime. Rather they are thinking of making customers delighted. Unethical marketing may put company into trouble so practicing a moral principle is very important.

### **The thrust areas where a marketer's attention is done are manifold**

1. The 4 p s of marketing viz., producing a good quality product, pricing it reasonably, placing it properly and promoting it.
2. Choosing a suitable target market.
3. Developing want satisfying goods and services.
4. Channelizing the goods and services from the point of production to the point of consumption.
5. Disseminating the required information in an ethical way without misleading the customers.

## **Ethics in Purchase and Production**

Any business starts from its purchasing function, it is prime function and purchase managers plays tactical role in getting right quality of goods in right quantity at the right place to avoid stock outs in the organization. Purchasing and production are the ongoing processes in any manufacturing industry. Managing ethical aspects has become one of the challenges in the business system and now a day's almost all companies have taken due care, because of its interaction with suppliers and external market. While carrying out purchasing responsibilities many factors should be taken into consideration like legal consequences of purchasing decision, purchasing in open and fair competition through legal sources with authentication. Transaction should be built up in healthy relationship among suppliers and buyers to enhance future opportunities. Common unethical issues in purchasing are nepotism, accepting gifts by suppliers, illegal purchases, and personal purchases revealing confidential information to suppliers for money and so on.

Production and operations is a function of converting raw-material into finished goods. It is nothing but using the resources and skills to outline a product as the tastes and preferences of the customer. In this context, so many ethical quality measures have to be taken into maintain the standards of the company. In fact it adds long term survival of the business in this competitive market. To keep consistency and to improve quality in the operations, huge fund should be deploy to get quality work by using innovative and competitive technology like total quality management, six sigma.

Production with quality is one of the dynamic factors in any organization and it has to maintain quality in the products it produces till it reaches the hands of the customers. So maintaining quality measure ethically is one of the important factors. Production activities of a company should not cause damages to natural environment through its polluting elements and carbon emissions. They create natural disorders. So many companies like skylark, Exxon, shell, union carbide India Limited have made very deep damage for natural resources in and around the world. Ethical measures relating to environment have to be considered by the companies to protect the nature and natural resources of the country.

## **Ethical Dilemmas at Work Place**

Decision making is one the important functions of business. None of the work will start without scientific decisions in a corporate. So taking necessary decision among available alternatives is very important and it has to make sure that it does not affect adversely anybody else within or outside the organization. Many a times corporate are exposed to ethical dilemma. In this kind of circumstances how well they resolve the problems is a challenging task and it indicates astuteness and capabilities of the managers. Before taking the decision, he/she has to

scrutinize the things and identify the things to solve the problem. Then a decision involves both negative and positive features, being a manager, he/she has to work out how negative feature has to be eliminated. Good example for this is introduction of computers in banks. Few years ago it was a challenge for the banking sector. This was an ethical dilemma since it has its own advantages and disadvantages too. Advantages are money more; it saves time, accurate, less costly and customer friendly. It has disadvantages like when computers are introduced manual work force should be reduced since all mechanical work will be undertaken by the computer.

### Conclusion

Ethics is not only imperative in the corporate, even it is essential for everybody in their lives. Because it is a fundamental element and it is the base on which society is structured. In business, ethics is expected in each action, so executing the work ethically is very vital. By doing best for others, rather than ourselves ethics can be instilled. Business may lose something in the short run, but in the long run it will be at a profit. Hence, a corporate has to take necessary decisions on ethical grounds which are favorable to its employees, customers, government, shareholders, media and the society.

### References

1. Allen, J. and D. Davis (1993). 'Assessing Some Determinant Effects of Ethical Consulting Behaviour – The Case of Personal and Professional Ethics', *Journal of Business Ethics*, 12(6), pp. 449–458.
2. Argyris, C. (1976). 'Single-loop and Double-loop Models in Research on Decision-making', *Administrative Science Quarterly*, 21, pp. 363–375.
3. Badaracco, J. L. and A. P. Webb (1995). 'Business Ethics – A View From the Trenches', *California Management Review*, 37(2), pp. 8–28.
4. Barnett, J. H. and M. J. Karson (1987). 'Personal Values and Business Decisions: An Exploratory Investigation', *Journal of Business Ethics*, 6, pp. 371–382.
5. Beyer, J. and S. Lutze (1993). 'The Ethical Nexus: Organizations, Values and Decision-Making'. In: C. Conrad (ed.), *The Ethical Nexus*. Ablex, New Jersey.
6. Bird, F. and J. A. Waters (1987). 'The Nature of Managerial Moral Standards', *Journal of Business Ethics*, 6, pp. 1–13.
7. Bird, F., F. Westley and J. A. Waters (1989). 'The Uses of Moral Talk: Why Do Managers Talk Ethics? *Journal of Business Ethics*, 8, pp. 75–89.
8. Blake, R. B. and D. A. Carroll (1989). 'Ethical Reasoning in Business', *Training and Development Journal*, 43(6), pp.99–104.
9. Blasi, A. (1980). 'Bridging Moral Cognition and Moral Action: A Critical Review of the Literature', *Psychological Bulletin*, 88(1), pp. 1–45.
10. Boatright, J. R. (1988). 'Ethics and the Role of the Manager', *Journal of Business Ethics*, 7, pp. 303–312.