

Abstract

Ethics is a system or philosophy of conduct. It deals with what is right or wrong, moral duty and obligations. Running a business is ethically well pay-off in terms of profit, incentive in the long run. Business compels the person to follow ethics, due to hyper-competitive environment ethical considerations takes back seat in relation to the business.

This paper aims to bring out the issues involved in dealing with the ethics in different dimensions in business. There may not be any ready-made answers or solutions to ethical problems but an individual should gear up for better resolution of the issues. There are many ethical issues that arise in the normal course of the business. This paper analyses some of the issues in various areas such as Finance, Marketing, HRM and Production.

It also deals with directors' ethical governance to perform ethical leadership role effectively.

Even there are some critical ethical issues in international business. The Company is expected to follow ethical code which applies in that country but due to hyper competitive world, the employee is forced to break the ethical code. Necessary training has to be provided to the employee to enable him to handle the ethical issues which applies in that country.

Ethical policies and guidance should be more practical and made locally relevant to enable an employee easily understandable. Clear the employees' doubts about the company's commitment to ethical code. Implement whistle blowing process to enable employees to approach easily senior management on ethical issues and also for addressing the same. Companies should have mechanism to measure the managers' and leaders' personal integrity and develop the culture of the ethics by way of 360-degree feedback, audits or surveys and the ethical results of the same to be linked to their promotions and compensation packages.

Introduction

Business ethics is merely ethics applied in business context, in other way, it is the application of moral or ethical norms to business. Business performance and ethics are not a contradiction in terms- they are two sides of the same coin. Ethics is a set of principles and standards of human conduct which governs the behavior of individual when taking decisions, and they are guided in these decisions based on their value systems. Religion, culture and applicable laws are the major three factors which influence ethics.

Ethics is moral duty and obligation, and defining what is good and what is bad. The term ethics has its origin from the Greek word "ethos", which means character or custom. The synonyms of ethics as per Collins Thesaurus are conscience, moral code, morality, moral philosophy, moral values, principles, rules of conduct, standards. Ethical governance refers to the process, procedures, cultures that ensure high standards of behavior. Corporate governance refers to moral framework whereas the ethical governance under which an enterprise take decisions, over a period of time the ethical behavior has favorable impact of the company's performance.

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Aim of the Paper

This paper aims to bring out the issues involved in dealing with the ethics in different dimensions in business. There may not be any ready made answers or solutions to ethical problems but an individual should gear up for better resolution of the issues. Dharma is also difficult to understand and it stands for right code of conduct, sometimes religious in nature. For eg., the story of Harischandra who always taken the right action in different situations and uphold the dharma in all the situations and stands for truth. Ethical issues are very complex in nature and correct way of understanding the complexity of the situations will help an individual to get into the first step in figuring out better solutions.

According to Business dictionary, A problem or situation that requires a person or organization to choose between alternatives that must be evaluated as right (ethical) or wrong (unethical).

Historical Background

More than 3 decades ago, organizations have also addressed the business ethics in various ways by introducing code of conduct principles, ethics committee (at board level), appointment and training of CSR officers and corporate compliance officers. Even global companies in US, Europe indulged in larger corporate scandals which forces the regulatory bodies to bring structured governance and ethics in order to make the companies more responsible to the society in which they operate. For eg., The Parmalat (Italian food and dairy group), Ahold (Dutch super market group), and Adecco (Swiss temporary employment agency) scandals were more evident in European business in 2003. American investors lost more than 1.5 billion U.S. dollars in Parmalat scandal. The Enron scandal prompted the passage of Sarbanes-Oxley Act in 2002 which was the significant achievement by US regulatory in the country's corporate governance and accounting rules.

Ethical issues in Finance

- Excess billing of expenses and bribery
- Insider trading and securities fraud which leads to manipulation of stock markets

- Misleading in financial statements
- Window dressing
- Related party transactions not at arms length price.

Ethical issues in Marketing

- Misleading advertisements
- Non disclosure of features of products
- Use of child labour and forced labour
- Violation of basic rights to workers
- Grey markets and black markets
- Price discrimination and price skimming
- Poaching employees from the competition

Ethics in HRM

- Issues which are affecting an individual in organization
- Safety management, Health hazards at work place and environmental standards
- Sexual harassment at work place
- Gender, Race and Disability

Ethical issues in Production

- Production processes should not cause harm to the society – for eg., Bhopal an unforgettable disaster in 1983
- Product testing ethics – testing of animals
- Pollution and environmental ethics

Table I, there are many ethical issues that arise in the normal course of business. A deep insight into the understanding of the different types of ethical issues will help you better to identify and handle these situations responsibly to maintain core business values. Figure I.

Ethics is like a democracy and difficult to explain in practical. Business compels the person to follow ethics but running business ethically will lead to larger benefits in the long run.

Some of the Ethical governance questions are -

- Am I motivated for acting ethically?
- Am I doing the things in ethical sense?
- Who are all affected by my decision?
- What all options are available to me?

Business ethics is all about well defined set of standards and integrity. It primarily focus on day-today affairs and internal issues of the company such as quality of product, staff welfare benefits, customer satisfaction which depends on the decision maker by considering various options available to him which impacts company's profitability and stakeholders.

Directors' Ethical Governance

Business ethics goes even beyond the corporate level. The toolkit for Directors' ethics assist company directors to perform their ethical leadership role successfully. It refers to "4As" model, namely

- **Awareness**- legal and regulatory requirements
- **Assessment**- constantly monitor the challenges and risk challenges in board, directors and company.
- **Action**- suggesting practical advise to set an ethical tone at the top to seek ethical results.
- **Assistance**- sources from regulatory and professional bodies and chamber of commerce to seek assistance wherever necessary.

Ethical Issues in International Business

Critical issues may also arise in international business when an employee is posted outside his country. The company is expected to follow ethical code which applies in that country, due to competitive environment he is forced to choose an option of either bribing for the contract or losing the contract. It is not uncommon in China; gifts are considered as routine nature and continue to expect the same. Google faced problem in china, when a senior officer

posted in china gave iPods to Chinese officials, charging them to Google. Finally the employee was fired by Google, when she was called into the office by her senior and asked to leave. She was unable to understand what went wrong and what she had done. A company has to adhere to the laws of home country, and explore the options of managing the same in another country. Employee should be well trained in addressing those kind of problems, making him clear the companys policies. (Adapted from Foturne, May 2, 2011).

Recommendations

- Ensure the ethics code and policies are locally relevant and easily understandable to an employee.
- Clear the employee's doubts about the company's commitment to ethical code.
- Ethical guidance should be more practical. for eg., MphasiS Limited, a subsidiary of Hewlett-Packard, provides IT, infrastructure and BPO services, realized that mere signing the Business code of conduct by an employee does not impact any behavior. Employees are first allowed to read the Business code of conduct, and then they solve a puzzle game. This is an indirect way of training an employee in navigating the grey areas in ethical code. (*Adapted from ICAC, Hongkong, - Tool kit on Directos' ethics*).
- Adopt whistle-Blowing Process

Conclusion

Organization which follows ethical code requires good leaders/managers and employees to be more accountable and responsible for work place behavior. Companies must avoid conflicts of interest for eg., families and friends appointing at the board level. Companies should have mechanism to measure the managers' and leaders' personal integrity and develop the culture of the ethics by way of 360-degree feedback, audits or surveys and the ethical results of the same to be linked to their promotions and compensation package. Ethics help you to go into deep insight of the ethical problems but it will not

guide in solving them. The true challenge is not to become an ethical manager but to stay on.

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Table I : Ethical Behaviour

Advantages	Dis-advantages
Employee motivation & enhances credibility of management	Bad impression
Increase in revenues - rise in demand from consumer and support	Higher transaction costs -training material and ethical policy etc.
Improvement in brand and recognition	Losing brand image
Potential sources of finance -e.g. from ethical investors	Losing trust among top management

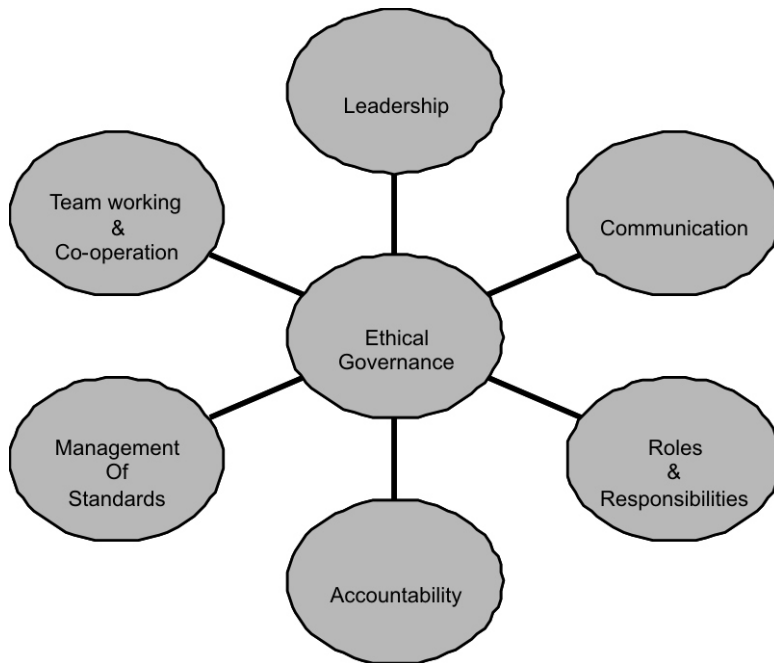


Figure I : Ethical Governance Bench marks