

EMERGING TRENDS IN BUSINESS ETHICS AND VALUE SYSTEM

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Introduction

“Ethics is a fundamental trait which one adopts and follows as a guiding principle or 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 run parallel to law and shows due consideration to other’s rights and interests in a civilized society”.

According to McCoy, ‘Ethics’ is the continuing reflection on the moral significance of action by means of which communities and individuals relate customs and conduct to values and beliefs. The idea that business should be conducted ethically is not a new one. Business Ethics refers to "the moral principles and standards that guide behavior in the world of business" which is a social organ, and shall not conduct itself in detrimental to the interests of the society and the business sectors. It aims at inculcating a sense within the employees of how to conduct business responsibly. As it is difficult to coin a single term with universal applicability, some organizations choose to recast the concept of business ethics through such other terms as integrity, business practices or responsible business conduct.

The basic fundamentals of Ethics can be formulated as:-

- The sustenance of utmost principles of actions which would lead to turnover for the industry, employees, customers, shareholders and society;
- Business should be based on transparency, disclosure and consistency;

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- The customers should be treated with due respect and fairness. As per the principles of Ethics selflessness, integrity, objective, accountability, openness, honesty and leadership are few more essentials which apply to all aspects of public life.
- Business must opt for the principles of self-regulation as it is the best way of raising sky-scraping principles.

Benefits of having Business Ethics

There are many benefits of paying attention to business ethics:

- Improved society,
- Easier Change management,
- Strong teamwork and greater productivity,
- Enhanced employee growth,
- Ethics programs help guarantee that personnel policies are legal,
- Ethics programs help to avoid criminal acts .of omission. and can lower fines,
- Ethics programs help to manage values associated with quality management, strategicplanning and diversity management,
- Ethics helps to promote a strong public image

Ethics code

The base of any company's ethics program is its set of values. The key mechanisms for articulating values are ethics codes, also known as codes of conduct and standards of business. The code helps to create globally consistent 'fixed reference points' for employees. It specifies the ethical rules of operation. Ethical decision-making procedures, spelled out in an ethics code, arm employees with the information needed to act in accordance with the values that are at the core of a company. The code serves as a set of concrete statements about how the companies conduct business.

Need for code of ethics

In the light of substantial changes being faced by the businesses, ethics have become indispensable. Attention to ethics in the workplace sensitizes leaders and staff to how they should act. Perhaps most important, attention to ethics in the workplaces helps ensure that when leaders and managers are struggling in times of crises and confusion, they retain a strong moral compass and does not compromise with their moral integrity. There are many factors that have led to the popularity of the code of ethics. Some of them are:

The emerging global market: The globalization has led to the weakening of the traditional link between production and place, between economy and the nation state with the entrance of new unfamiliar players, in the business terrain. The shrinking world has resulted in enhanced uncertainty and at the same time led to a realization that "problems are increasingly global and demand solutions would be a framework of values universally accepted". Thus, cultures around the world are showing an inclination towards the adoption of some core values, comprising: truthfulness; fairness; freedom; community; tolerance; responsibility; and respect for life.

Decentralized management responsibility: To be successful in very competitive environments, corporations must decentralize responsibility and reduce management supervision and control. As layers of management are stripped away, controlling employee behaviour becomes increasingly tenuous and a shared understanding of responsibilities and rights increasingly important.

Moral disasters and scandal: The occurrence of moral disasters, mistakes in judgment has carried heavy costs for the corporations responsible for them and for their victims. For instance, the 1984 Bhopal disaster and widespread concerns about the lack of environmental responsibility on the part of the chemical industry; The Lockheed bribery scandal in the 1970s in the United States led to the enactment of the American Foreign Corrupt Practices Act. These scandals have highlighted for many companies the very substantial financial risks that can be triggered by unethical behaviour. They have also raised serious doubts about the capacity of traditional approaches to management and corporate governance to ensure ethically responsible conduct on the part of management and employees in a contemporary business environment.

Legal framework

Owing to the need for the code of conduct, governments around the world, acting collectively through international institutions like the United Nations and the International Labour Organization, have set international human and labour rights standards proclaimed as having universal applicability. In this context, some organizations have developed guidelines:-

OECD Corporate Governance Principles

1. To ensure the basis for an Effective Corporate Governance Framework:

- To promote transparent and efficient markets;
- Be consistent with the rule of law; and
- Clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.

2. To protect and facilitate the exercise of shareholders' rights and key ownership functions.

3. To ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.

4. To recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.

5. To ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

6. To ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

The U.N. Global Compact

The vision of the Global Compact is outlined in its ten principles. Companies that sign on to the Global Compact agree to uphold these principles in their operations in any country around the world.

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that the business is not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labor;

Principle 5: The effective abolition of child labor; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

Major International Ethical Problems

• **Traditional Small Scale Bribery**- Involves the payment of small sums of money to an official in exchange for him/her violating some official duty or responsibility or to speed routine government actions (grease payments, kickbacks).

• **Large Scale Bribery**- A relatively large payment intended to allow a violation of the law or designed to influence policy directly or indirectly (e.g., political contribution).

• **Gifts/Favours/Entertainment**- Includes a range of items such as: lavish physical gifts, call girls, opportunities for personal travel at the company's expense, gifts received after the completion of transaction and other extravagant expensive entertainment.

• **Pricing** – Includes unfair differential pricing, questionable invoicing – where the buyer requests a written

invoice showing a price other than the actual price paid, pricing to force out local competition, dumping products at prices well below that in the home country, pricing practices that are illegal in the home country but legal in host country (e.g., price fixing agreements).

- **Products/Technology** – Includes products and technology that are banned for use in the home country but permitted in the host country and/or appear unsuitable or inappropriate for use by the people of the host country.

- **Tax Evasion Practices** – Used specifically to evade tax such as transfer pricing (i.e., where prices paid between affiliates and/or parent company adjusted to affect profit allocation) including the use of tax havens, where any profit made is in low tax jurisdiction, adjusted interest payments on intra-firm loans, questionable management and service fees charged between affiliates and /or the parent company.

Illegal/Immoral Activities in the Host Country – Practices such as: polluting the environment, maintaining unsafe working conditions; product/technology copying where protection of patents, trademarks or copyrights has not been enforced and short weighting overseas shipments so as to charge a country a phantom weight.

- **Questionable Commissions to Channel Members** – Unreasonably large commissions of fees paid to channel members, such as sales agents, middlemen, consultants, dealers and importers.

- **Cultural Differences** – Between cultures involving potential misunderstandings related to the traditional requirements of the exchange process (e.g., transactions) may be regarded by one culture as bribes but be acceptable business practices in another culture. These practices include: gifts, monetary payments, favours, entertainment and political contributions.

- **Involvement in Political Affairs**- Related to the combination of marketing activities and politics including the following: the exertion of political influence by multinationals, engaging in marketing activities when either home or host countries are at war or illegal technology transfers.

Managing Ethics at Workplace

Ethics can be managed at workplaces by establishing an ethics management program. Ethics programs convey corporate values, often using codes and policies to guide decisions and behavior, and can include extensive training and evaluating, depending on the organization. They provide guidance in ethical dilemmas. A corporate ethics program is made up of values, policies and activities which impact the propriety of organization behaviors.

The following could be extremely valuable in managing ethics:

- Developing code of conduct;
- Assessment and cultivation of ethical culture;
- Imparting ethics training to employees; and
- Being socially responsible

Recommendations

To improve the future one must look back to learn from the past. All corporate scandals pointed out ethical judgments that a company must consider. Scandals taught that ethical misbehavior is a slippery slope that usually starts with small white lies and ends up in violation of the law(s).

Some useful guidelines:

- Corporations should have proper conflict of interest standards in place, strictly adhered to by the individuals to avoid clouded situations. It would also serve to fulfill the business and social objectives of the company or represent the board fairly and without bias.
- Officers must be deputed for handling potential ethical violations and also maintain confidentiality when a whistle blower reports a possible violation.
- The whistle blowing process should be encouraged by providing an anonymous open line of communication and employees who try to prevent further misconduct should be rewarded.
- Companies should prepare and disclose CSR/sustainability report on a regular basis. It reflects the company's strong commitment of resources to CSR.
- CSR should be regarded as an integral part of the business decision making process and prominently placed in the company's core mission, vision, and values documents.

- Multinational companies should play pivotal role in upholding and advancing business ethics, corporate governance and social and environmental standards, especially in countries less developed.
- Put pressure on business schools to make business ethics and strategies in CSR a part of the core curricula.
- The company should have Right composition of Board suitable for an ever changing environment for different functionaries.
- The functions of audit acts as an effective tool for matters concerning financial facet of corporate governance.
- The company should incorporate recommendations of Confederation of Indian Industry for effective corporate governance in India.
- **Consumers**-The more the individuals consider business ethics and CSR into their purchase and investing decisions the more responsible the companies will be. Regulation can only curb corporate scandal. Therefore, if a majority of citizens stop buying a company's stock and product, executives may think twice about stepping out of line.

Concluding Remarks

Business behaviour has always had a significant worldwide impact. In 21st century where the businesses are being accused of everything from corrupt practices and fraud to causing environmental damages and loss of lives in earning unprecedented profits from the market, the question of business ethics and values pops up.

Public opinion is playing an important role in shaping corporate behavior and empowerment of the customers due to undergoing revolution in information and communication technologies in the new economy. Responding to the same, companies may be expected to develop even stronger cultures of responsibility. In spite of having a comprehensive code of ethics it cannot be concluded that the company is a responsible citizen, it is merely an indication of its intentions. Hence, there is dire need of embedding business ethics and values in the organization's 'blood stream'. Having published codes of ethics is the most explicit way a company can demonstrate to the public its commitment to ethical conduct and social/environmental concerns.

In order to survive in a competitive environment, it has become imperative for the businesses to behave in an ethically and socially responsible way. It should be a hallmark of every marketer's behavior, domestic or international. In a global economy, to solve ethical problems, self regulation by companies and industries is important. Conscious efforts are highly desirable for developing a culture and system, which reinforce appropriate values.

To combat ethical violations International sanctions can be applied for. For instance, the Universal Declaration of Human Rights is an important norm which has been ratified by almost every country and lays down basic principles that should always be adhered to irrespective of the culture in which one is doing business. In addition to such international organizations as UN, IMF, World Bank, World Trade Organization, the International Chamber of Commerce; "International Court of Justice for Business and Commerce" should be established to solve international ethical problems legally.

However, Business and NGOs should not exert too much pressure on the multinational corporations in terms of enforcing corporate codes as it may deter multinationals and other sources of investment from investing in the market. Therefore, we have to find a way to meet high ethical standards and, at the same time, ensure that the reputational and collateral risks assumed by corporations do not inhibit the further development of the emerging markets.

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