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IS ETHICS IN BUSINESS WILLINGNESS OR COMPULSION?

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Abstract: Till 1990's Indian company thought of business ethics as extension of philanthropy. Although corporate giants like Tatas and Birlas contributed to philanthropic causes, however once MNC's entered in Indian market business ethics emerged from the concept of philanthropy. With the emergence of MNC's, Situation has been modified that will increase awareness among stakeholders and consumers, currently they're no longer indifferent to unethical practices like financial irregularities, tax evasion, poor quality products and services, non compliances with environmental issues and dangerous operating condition.

Indian company currently realize that integrity, transparency and open communication are new norms of the corporate world and goodwill that they earn by adopting a code of business ethics will work in long run into economic gains. This paper includes concept of ethics, business ethics, and its importance in business that helps it to grow and take competitive advantage. This paper also clarifies: Is ethics in business willingness or compulsion by taking into consideration few fields of business.

Keywords: Business ethics, Workplace, Global business, Moral standard and Environmental focus.

I. INTRODUCTION

Business culture of any country may be a reflection of the varied norms and standard followed by its people. Like in India, there are various cultural yardsticks, which extend to the business and that culture specifies ethics and customs followed here. Those business ethics is helpful for development of business and economy there are numerous unethical practices followed in today scenario like non- compliance with environmental issues, unsafe working conditions, tax evasion through which company earns in short run however long run survival isn't possible.

ETHICS

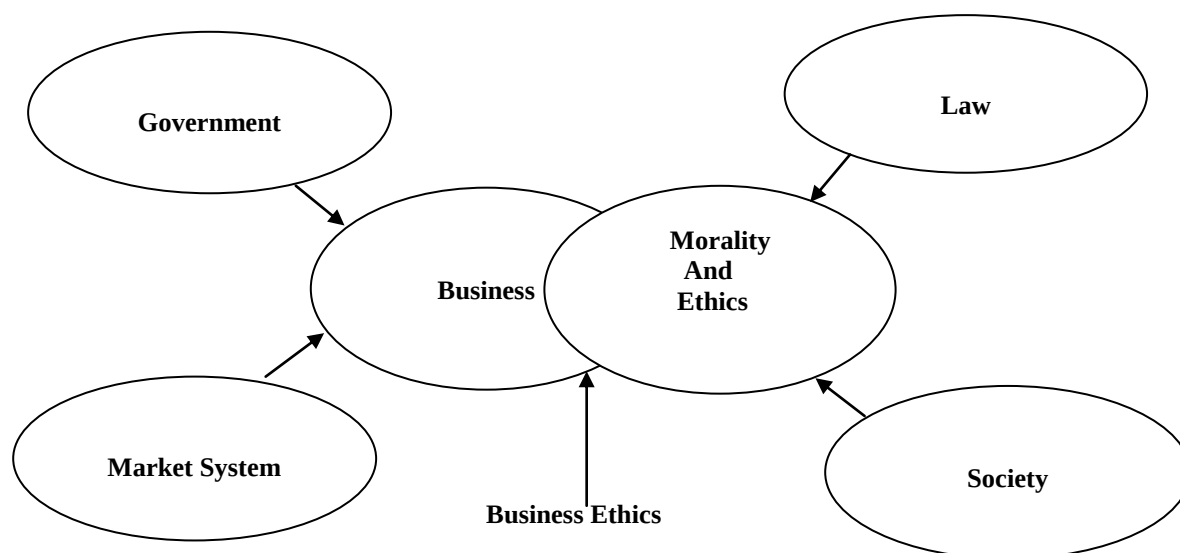
Ethics is a science of moral, moral principle and recognized rules of conduct. It specifies character of person expressed as right and wrong of certain actions. There is no clear definition of Ethics as result of, relies on moral standards. Moral standards are dependent on a value system, and value systems are dependent on individual background. Background of every individual differs according to experience. Ethical practices of people are different dependent on their experience.

BUSINESS ETHICS

Business is primary economic establishment through which people carry task of manufacturing and distributing merchandise and services. So, Business ethics is application of moral judgment to business activities. It is normative

study of ethical standard because it applies to business policies institution and human behavior. It specifies what is wrong or right within the work place. Currently more and more importance is given to the application of ethical practices in business dealing and therefore the ethical implications of business decisions. For example, banks decision to computerize its activities to supply smart quality services to meet customer requirements results in redundancy of clerical job. In this state of affairs best ethical solution is job reassignment or retraining for alternatives job assignments. If any business wants to survive and grow in the long run it must strike a balance between its social obligations and economic objectives. No doubt, profit in business is appropriate, but only profit is not acceptable any more. Now organization has to discharge its responsibility to the community welfare of its employees, revenue to shareholders and meet customer demands

Figure 1: Integration of Business and Morality



Ethical behavior and business is integrated and combined. Business as an economic entity has the right to make the profits, but at the same time it should discharge the social obligation.

II. IMPORTANCE OF BUSINESS ETHICS

The importance of ethics in business is well understood by very the fact that ethical businesses are able to make far more profits than the others. The main reason behind this is that customers of businesses who follow ethics are more loyal and satisfied with the services and product offerings of such businesses. Businesses, which is well known for its ethical practices creates goodwill for itself within the market. Investors are more willing to put their money within the businesses that they can trust. To become eminent, a business ethics must driven by strong ethical values. The mindset of a businessman creates mindset for his/her company, which sets the work culture of the business organization. If the management of a corporation follow ethical business practices then higher utilization of resources are possible. Thus, to attain objective of long-term profits and to possess long lasting customer relationship the business must follow ethics.

III. IS ETHICS WILLINGNESS OR COMPULSION?

In today's competitive era ethics in business is extremely a lot of needed to run the business for long run. Business no doubt, earns profit while not fulfilling its social responsibility and while not follow moral standards however in short run. For sustainable growth, survival and also for taking competitive advantage business must follow some sets of rules and standards in each field. Still there is no compulsion to follow ethics in each field however organization willingly must take steps so that society accepts it happily that facilitate in gaining competitive edge. Few of these fields are explained as follows:

Ethics Issues and Environment:

Environmental ethics is expounded to examination of ethical basis of environmental responsibility. As much damage caused to environment has an impact on society as well as on stakeholders. Environmental ethics tackle problems like toxic waste, oil spills, destruction of seashores, and usage of flouro carbons that deplete the ozone layers etc. Now - a - days we are facing problem of global warming also to tackle this problem numerous Environmental laws are created that organizations has to follow.

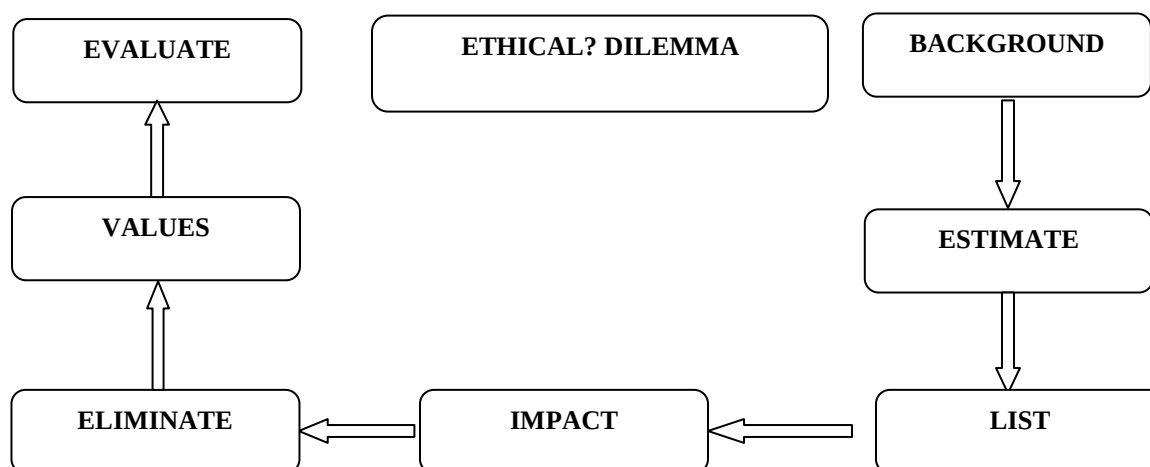
Rapid industrialization and urbanization lead to economic development of India, however they conjointly cause injury to the country's environment through deforestation soil erosion and water pollution etc. Growing Environmental issues and related disputes forced government to possess separate body of environmental legislation and legal practices known as green law or environmental law. The Environmental Protection Act (1986) was created that focused on reducing industrial pollution. Majority of environmental problems that India is facing associated to air pollution and water pollution and for these issues numerous separate acts or rules were created like in 1977 The Water (Prevention and Control of Pollution) Cess Act and 1982 AIR (Prevention and Control of Pollution) Rules. **Major example** in the history of India is Bhopal gas tragedy in which thousands of individuals died and lakhs were injured. That chemical explosion alerted the organizations and government regarding the requirement of maintaining appropriate standards for human health and safety. And this leads to follow obligatory rules and standard by organization.

Even to regulate numerous issues Indian government is using number of steps to fight against environmental pollution. However organizations have to commit themselves to ensure compliance of safety standards. One amongst remedies for anti-pollution is 'going green'.

Ethics Issues at Work Place:

In the era of globalization, mangers have to face ethical challenges. The success or failure of business depends upon the decisions taken by the management. But while making proper decision management must consider proper ethical facet. If management does not follow ethics it face lot of issues like lockout, strikes etc. These days there are range of opportunities available to employees if they found unhealthy operating condition, poor behavior in the work place they simply switch to another organization. No doubt, that management sometimes faces ethical dilemma however to resolve it has to follow **believe approach**. Believe is an acronym for background, estimate, list, impact, eliminate, values and evaluate.

Figure 2: Believe Approach



Ethical Issues in Global Business:

Coca cola, Mc Donald and L&T etc are some of the most eminent global firm's that operate in other country. While operating globally, MNC's bear range of ethical issues. The basic reason for companies going global is to cut sourcing and distribution costs. However environmental lists criticize MNC's for:

- Depleting natural resources.
- Polluting the environment.
- Not paying compensation for environmental injury.
- Causing harmful changes in local living conditions.

Most of the MNC's ignore environmental aspects by maintaining low safety and health standards. They dispose industrial waste having harmful chemicals and poison gases that produce water pollution and air pollution. To resolve this ethical problem numerous codes were designed based on ethical values, standards and practices, like MNC's has to allocate resources across the worldwide in optimal manners so that world resources are best utilized. MNC's have to bring correct skills and technology needed to run their operation and conjointly they have to bring the ideas and practices that improves research and development in host country. Government permits MNC's to operate in their country for the sake of development and for that they specify certain guidelines to be followed.

Above are various aspects in which there is compulsion to follow business ethics. These are created for correct utilization of scarce resources and also for economic development of country by industrialization. Although, business ethics is not obligatory in each field of business, however management must follow certain **ethical aspects willingly** so that the business works in long run. Following are certain fields of organization in which management have to focus by operating ethically.

Ethical Issues in Finance:

Finance is very important for all organization. It plays very important role in business. Ethical issues in finance are associated with financial reporting. Ethical audit seeks to ensure that the company's accounts present an honest image.

Objectives of ethical audit are to bring accountability and transparency within the company's operation. In today's economic environment, companies have to take decision regarding mergers and acquisitions however these mergers and acquisitions involve great amount of ethical challenges. To realize full advantage of mergers & acquisitions organization must follow proper procedures & policies in order that all stakeholders should be satisfied. Other unethical issues relating to finance are Insider Trading & Money laundering which are associated with improper use of shareholder's money.

If organization needs to satisfy its shareholders & wants to extend the wealth than it has to set certain standards for correct usage of funds.

Ethical Issues in Marketing:

With the rise of public attention on ethics, there is demand for stricter controls in business practices, right from framing marketing strategies to finally delivering a product to the customers. To make company play an accountable role within the society, marketers need to understand the role played by ethics in their activities. Marketing manager must have faith in providing products & services that create value for the customers. Vital facet of marketing includes its 4P's – Product, Price, Place and Promotion. Marketer must focus on these marketing mix aspects, must assemble and manage it properly. Along with marketing mix manager has to focus on marketing strategy & marketing research as these perform vital role over marketing & social systems. Marketers must accept responsibility for the consequences to their activities & make each effort to ensure that their decisions, recommendations, & actions operate to serve & satisfy all the relevant publics – customer, organization & society.

IV. CONCLUSION

Ethical and accountable behavior is needed to become the cornerstone of corporate behavior. Ethics involve wider sphere of actions, economic, social and human. Present concept like corporate social responsibility and sustainable business not taken from developed economies however has been nurtured by our rich moral traditions. Organizations that follow certain business ethics have higher chance of survival, compared to those organizations whose aim is to create profits at any price. No doubt, there is lot of ethical problems in business that creates dilemmas for managers because it sometimes represents a conflict between an organization's economic performance and its social performance. To make country developed there is requirement of good industries, good organizations however to run those organizations ethics are important. Therefore every organization must follow ethics but willingly in each sphere of activity that society accepts.

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