

Indian Managers' Attitude Towards Business Ethics

A Case of Tata Group of Companies

AUTHOR

P. K. Agarwal
Professor & Head,
Dept. of Business
Management,
Institute of
Informatics &
Management Science,
Meerut

ABSTRACT

Business ethics is nothing but the application of ethics in business. Business ethics deals with morality in the business environment. It involves moral judgement based on the understanding of the norms of society. Ethics extend beyond the legal question and involves goodness or badness of an act.

Business ethics are concerned primarily with the relationship of business goals and techniques to specific human needs. It studies the impact of act on the good of the individual, the firm, the business community and the society as a whole. Business ethics studies the special obligations, which a man and citizen accepts when he becomes the part of the world of commerce.

Since, business exists and operates within the society and is a part of a system of society, its functioning must contribute to the welfare of the society. To survive, develop & excel, business must earn social sanction of the society wherein it exists and functions. Without social sanctions, a business cannot earn loyal customers, cannot operate in the market place and will soon wither and die away.

1. INTRODUCTION

Recently, there has been an increasing awareness in the field of business ethics. Infact, perhaps there has not been any time in the history of business development when an understanding of the nature of business ethics has been so urgently felt.

The word Ethics which in Latin is called *ethicus* and in Greek is called *ethikos* has come from the word *ethos*, meaning character or manners. Ethics is thus said to be the science of morals, a treatise on this, moral principles, recognised rules of conduct. Ethics can also be termed as the science of character of a person expressed as right or wrong conduct or action.

Business ethics is nothing but the application of ethics in business. It proves that businesses can be and have been ethical and still can make profits.

It deals with morality in the business environment and moral judgements, based on the understanding of the norms of the society. Ethics extend beyond the legal question and involves goodness or badness of an act. Therefore, an action may be legally right but ethically wrong.

A business or company is considered to be ethical only if it tries to reach a trade off between pursuing its economic objectives and its social obligations i.e., between its obligations to the society where it exists and operates. Its obligations to its people due to whom it can even think of pursuing economic goals, to its environment from it takes so much without its demanding anything back in return.

2. ARGUMENTS FOR / AGAINST BUSINESS ETHICS

Though many philosophers and authors put forward the arguments that business

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being economic entity, should have nothing to do with morals or ethics. They argue that business should assume no responsibilities, other than to produce goods and services efficiently and to maximize profits for the shareholders. They believe that businesses being economic entities, only economic values should be their guiding principles and the sole determinant of their performance.

Milton Friedman, the celebrated prize winning economist in his book "Capitalism and Freedom" put forward his classical view that the only responsibility of business is to earn profits. He feared that if business ethics formed a part of corporate culture, ultimately the customer would be called upon to bear the cost of the ethical practices of the organisation, as Friedman erroneously assumed that such ethical practices would increase the prices of the organisation's products. He further believed that the social responsibility of business is contrary to basic business functions. Moreover, he says that the business manager does not know and does not need to know, where public interest lies. Another personality, the famous psychologist, *Thodore Levitt* expressed fear that if business started being concerned about ethics, then business values would come to dominate social values.

These views were put forward in the 1950s and 1960s. Since then there has been a radical change of views and the fear expressed by philosophers and psychologists about business ethics have largely remained unfounded.

Today businesses, have found out that they are, in fact, responsible for social welfare, since they live and operate within a social structure. Without earning social

sanction, no business can hope to survive, leave alone develop & flourish and ethical practices do not necessarily increase the cost of production, in fact they tend to reduce costs. Moreover, their employees, executives and managers have felt proud to belong to such organisations. Goodwill, loyalty, genuine pride and above all, mental peace can not be calculated accurately in terms of money. And no organisation in India has been more ethical than the Tata group of companies founded by *Jamshed Ji Tata* and developed and nurtured by *J.R.D. Tata*. From the time of its establishment, the Tata house has always based their business activities on ethical principles. The quest for excellence, national pride and nationalist spirit and ethical practices were the legacy left behind by the founding fathers of the Tata group of companies.

3. CODE OF ETHICS FOR INDIAN BUSINESS

The PHD chamber of Commerce and Industry developed a code of ethics for Indian Business in April, 1995 which asked Indian Companies to be truthful and realistic in stating claims, be responsive to customer needs and concerns, treat all stakeholders fairly and with respect and protect and promote the environment and community interests. The text of the code is : "*Every business endeavour is characterised by objectivity and commitment of its practitioners. Business, therefore, have to maintain highest standards of behaviour so that their actions and decisions result in the benefit of industry, employees, customers, shareholders and the society*".

In pursuit of the requisite standards, business should serve their constituents in a manner benefiting the fair image of

business community including the performance of the following functions:

- a) Business must understand and respect the needs, concerns and welfare of the community and society. All business endeavours must combine the qualities of private excellence for public good.
- b) Any practice that does not embody the above process cannot be considered objective, are adverse to the interests and fair image of business and society and are in disharmony with this code.
- c) State only what can be achieved. Goods and services provided must be realistic and truthful in stating claims.
- d) Fairness in business should extend to all constituents of business. Interests of all constituents must be protected with respect and dignity.
- e) The customer must be given the best possible service that customer needs and must be treated with respect and fairness.

It is believed that the best way of promoting high standards of business practices is through self-regulation. This code has been designed as an instrument of self-regulation to serve as a voluntary guideline towards better quality of life and higher standards of business practices.

4. INDIAN MANAGERS' ATTITUDE TOWARDS BUSINESS ETHICS

A survey undertaken by Prof. Monappa of 115 business executives attending the middle and senior management programme of the I.I.M., Ahmedabad and belonging to different industries, area, educational standards, religious affiliations and income groups, has revealed some

notable results regarding Indian managers' attitude towards Business Ethics. The findings of the research are as follows :

- a) Dishonest methods used by competitors and the unethical climate in the industry were often cited as deterrents to the honest transaction of business.
- b) Managers were dissatisfied with the idea that profits should be the only guidelines for a businessman in decision-making.
- c) A majority of the managers welcomed the idea of a code of conduct and felt it would help to improve the ethical climate in the country.
- d) The attitudes and reactions of the older business managers to situations demonstrated a greater ethical awareness than those of younger ones.
- e) The ethical attitudes of those who belonged to a religion that was more organised were no better than those in whose religion there is no much scope for guidance.
- f) Manager felt that the management of each company (i.e., self regulation) would be the authority best suited to enforce the code.
- g) The problems that caused managers the greatest concern were those which involved 'buying business' using gifts, bribes, personal favours, etc. Personal problems also caused anxiety, but mostly lead to a conflict of the head and heart when emotions come in the way of responsible decision making.
- h) Managers reiterated the importance of company policy in influencing ethical action. A man's personal code of

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