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The Principle of Ethics in Business Management

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ABSTRACT

Managing a business takes a lot of knowledge and experience. Obviously you need knowledge about accounting, finance and marketing, as well as at least a working knowledge of the industry the business is in. Business ethics means recognizing that there is right and wrong in business as well as your personal life. And, furthermore, running a business is not just about making money, it is about doing the right thing and making money through that process. Business ethics is the study of appropriate business policies and practices regarding potentially controversial subjects including corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. The results of this study would help the modern industries in achieving their targeted result in a smooth way. Keywords: Business Ethics, Corporate Governance, Social Responsibility, Ethical Behavior.

Introduction

Ethics in management refers to a company's social responsiveness. It is 'the discipline that deals with what is good and evil, or right and wrong or moral responsibility and duty. 'Think "ethics and business" are an oxymoron? Think again! Small business owners are realizing that the principles of moral ethics can be injected into business. By oxymoron, we mean the bringing together of two apparently contradictory concepts, such as in a cheerful pessimist', or a deafening silence. To say that business ethics is an oxymoron suggests that there are not, or cannot be, ethics in business; that business is in some way unethical (i.e. that business is inherently bad), or that it is, at best, amoral (i.e. outside of our normal moral considerations). For example, in the latter case, (Albert Carr 1968) notoriously argued in his article "Is Business Bluffing Ethical" that the game of business was not subject to the same moral standards as the rest of society, but should be regarded as analogous to a game of poker where deception and lying were perfectly permissible. Ethical businesses recognize the power of conducting business in socially responsible ways and they realize that doing so leads to increases in profit and customer satisfaction and decreases in employee turnover. Ethics commonly means rule or principles that define right and wrong conduct. It may be defined as: "Ethics is a fundamental trait which one adopts and follows as a guiding principle of 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 runs parallel to law and shows due consideration to others rights and interests in a civilized society. Compassion on the other hand may induce a person to give more than what ethics might demand. '*Ethics*' is derived from the Greek word '*ethos*' which means a person's fundamental orientation toward life. Ethics may be defined as a theory of morality which attempts to systematize moral judgments. According to Garret, "The term business ethics represents a combination of two very familiar words, namely "business" and "ethics". The word business is usually used to mean "any organization whose objective is to provide goods or services for profit (Shaw and Barry, 1995). In a nutshell, Business ethics can be regarded as the study of business situations, activities, and decisions where issues of right and wrong are addressed. Business ethics, it has been claimed, is an oxymoron (Collins 1994). By oxymoron, we mean the bringing together of two apparently contradictory concepts, such as in a cheerful pessimist, or a deafening silence. To say that business ethics is an oxymoron suggests that there are not, or cannot be, ethics in business; that business is in some way unethical (i.e. that business is inherently bad), or that it is, at best, amoral (i.e. outside of our normal moral considerations).

Ethical behavior and corporate social responsibility can bring significant benefits to a business. For example, they may:

- Attract customers to the firm's products, thereby boosting sales and profits
- Make employees want to stay with the business, reduce labor turnover.
- Attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees.
- Attract investors and keep the company's share price high, thereby protecting the business from takeover. Unethical behavior or a lack of corporate social responsibility, by comparison, may damage a firm's reputation and make it less appealing to stakeholders. Profits could fall as a result.

Purpose of Research

The general purpose of business research is to help an organization's stakeholders make appropriate decisions. Gathering relevant data in various ways helps executives understand their target customers and organize the company's operations in ways that maximize the chances of improving customer satisfaction. The motivation behind the investigation is to add to the comprehension of business morals and especially it mirrors the cutting edge business practice with the use of set of principles. The investigation focuses on how the advanced organizations are quickened by applying morals in the condition of the business. The investigation additionally centers on why the advanced business needs the utilization of morals in their endurance in the general public.

Need For Ethics in Business

Some ethical requirements for businesses are codified into law. Environmental regulations, the minimum wage, and restrictions against insider trading and collusion are all examples of the government setting forth minimum standards for business ethics.

What qualifies as [business ethics in history](#) has changed over time and the different areas of ethics are important to every business. Ethical considerations are as important in management as in any other occupation. In the field of morality, personal life is not separate from business life. Business ethics is currently a very prominent business topic, and the debates and dilemmas surrounding business ethics have tended to attract an enormous amount of attention from various sections. Since the business exists and operates within the society and is a part of subsystem of society, its business ethics involve a guiding standard for values, behaviors, and decision-making.

- Ethics for business have changed over time but they're important for every company.
- Running a business with ethics at its core from the top down is essential for company-wide integrity.
- Behaving in a consistently ethical manner can lock in a solid reputation and long-term financial rewards for companies.

Factors Influences Business in Business Ethics

1. Personal Code of Ethics (Individual Ethics)

A person's personal code of ethics which is what one considers moral is the prime responsible factor influencing his behavior.

For Example, Ratan Tata, chairman of Tata Group, is known for his personal code of ethics that leads to the high brand value of tata group and employee satisfaction.

2. Legislation

It is already stated that the Government will intervene and enact laws only when the businessmen become too unethical and selfish and totally ignore their responsibility to society.

No society can tolerate such misbehavior continuously. It will certainly apply pressure on the Government and the Government consequently has no other substitute to prohibit such inefficient behavior of the businessmen.

3. Leadership

If the leader leads in ethical ways and motivates the employees, so the employees will perform in legal ways then it will be beneficial for the company and for the employees also.

Leadership plays an important role in business ethics because the leader is a person who can mold the organization

4. Government Rules and Regulations

Laws support Government regulations regarding working conditions, product safety, statutory warnings, etc. These provide some strategies to the business managers for figuring out what is acceptable or recognized standards and practices.

5. Ethical Code & Policy of the Company

When a company grows larger, its standard of ethical conduct also rises. Any unethical behavior or conduct on the part of the company shall endanger its established reputation, public image, and goodwill. Hence, most companies are very cautious in this respect. They issue-specific strategies to their subordinates regarding the dealings of the company.

6. Social Pressures

Social forces and pressures have a considerable influence on ethics in business. If a company supplies sub-standard products and gets involved in unethical conduct, the consumers will become indifferent towards the company.

The ethics of a company and its individuals are heavily influenced by the state of their country. If a country is heavily plagued with poverty, large corporations continuously grow, but smaller companies begin to wither and are then forced to adapt and scavenge for any method of survival. As a result, the leadership of the company is often tempted to participate in unethical methods to obtain new business opportunities. Additionally, Social Media is arguably the most influential factor in ethics. The immediate access to so much information and the opinions of millions highly influence people's behaviors. The desire to conform with what is portrayed as the norm often manipulates our idea of what is morally and ethically sound. Popular trends on social media and the instant gratification that is received from participating in such quickly distort people's ideas and decisions.

Positive Outlook for Ethics in Business Management

The review proposed the accompanying five stages to create Ethical Enterprise.

- Appoint a morals official ideally a regarded senior leader who has as of late resigned from your association.
- Involve workers in building up a statement of purpose on the off chance that you as of now have one, re-verify if you have to include 'morals' to it.
- Evolve a set of principles and guarantee each representative knows precisely how your organization likes to lead business.
- Facilitate upstream correspondence from workers by putting resources into a complaint cell or a hotline or an ombudsman
- Build a moral culture by close to home model CEO should represent Chief Ethics Officer in your organization.

Practicing Ethics in Indian Businesses

1. Culture

Culture refers to the social norms, customs, and beliefs of a society or group. Culture influences business ethics because it affects how people perceive and do things. Where people come from forms a part of their identity and personality.

Religion, heritage, family system, and education system are some of the main elements of an individual's culture. Their norms, customs, and practices define what is acceptable as per their culture and what is not. Managers and promoters of entities understand the different cultures of people and solve ethical dilemmas arising from the same.

Right after learning how one's culture affects one, he perceives business ethics; the next factor is the personal code of conduct. Every individual has morals that drive their behavior. The personal code of ethics of an individual influences his decision-making and how he acts in a particular circumstance.

This personal code may not be written, but it is deeply ingrained in each individual and plays a major role in his everyday life. The personal code of conduct of each employee of the organization may be different. These may clash and lead to business ethics issues as well. Hence, a personal code of ethics becomes one of the important factors that influence the ethical functioning of an entity.

2. Legislation

Legislation concerning business ethics refers to the fact that government departments and agencies will intervene and enact laws and rules to prevent companies from engaging in unethical behavior. These measures will only be taken when situations go out of hand and malpractices by entities are beyond our control.

Society will not tolerate entities' unethical behavior for long and will revolt. Governments will be forced to act and enact laws and rules to curb the situation. The government's enactment of rules would be the last resort and would be used when situations are adverse

- [Top 10 Low-investment Franchise Businesses in India](#)
- [How Can Google Ads Help You Advance Your Business Goals](#)
- [What is the Benefit of Using Digital Data for Business?](#)

3. Government Rules and Regulations

Another factor that influences business ethics is the set of rules and regulations imposed. Various laws are enacted in India concerning various aspects of business functions, such as laws regarding working conditions, insurance, pension, minimum wages, the rights of employees and laborers, etc., which act as a guide to organizations in the formulation of their ethical code of conduct.

They provide details of what is acceptable and the recognized standards for different aspects of the business. As a result, these laws assist organizations in adhering to ethical standards. Hence, government rules and regulations have a major impact on the ethical functioning of a business.

4. Ethical Code of the Company

The code of ethics that has been designed, communicated, and implemented by the entity also influences its ethical climate. The code of conduct, which is usually communicated to all the employees of the company and is available in various publications of the company, such as their website, drives how employees and staff behave in the entity.

Sources of Ethics

Morals are definitive discoveries of the heavenly existences of our predecessors. They are accumulated as either extraordinary stories, religions, culture or law. Each nation has the fortune of morals. Be that as it may, the significant wellsprings of morals are religion, culture and lawful framework.

1. Religion
2. Law
3. Culture

1. Religions: The adherents of religions get moral direction from religions in dynamic. Each religion on the planet shows the great and maintains the essential fact of the matter. One can get moral motivations from religion.

Hinduism, Christianity, Islam, Judaism, Buddhism, Jainism, Confucianism, Wellsprings of Morals

2. Lawful System: Laws are the principles which manage the human conduct in any society. Adherence to law turns into the moral obligation of individuals and associations. Opportune order of expected enactments to address or readdress concerned issues adds nuance to the basic rights and obligations just as assurance of the residents of the nation. Transnational organizations, the windows of LPG time, need to watch not just the home legitimate framework, yet in addition the universal lawful framework to comprehend lawful issues in universal exchange and so on is the significant religions which manage their devotees to live for the great of the general public. In Hinduism, Ramayana and Mahabharata have been the wellsprings of numerous moral qualities which hold great until the end of time.

- i. A manner of speaking however virtual discussion between Lord Krishna and Arjun in Mahabharata, known as Shrimad Bhagavat Geetha, gives preparing to the executive's experts to determine quandaries in dynamic.
- ii. The Ten Commandments of Bible give exemplary things in human activities. These Ten Commandments have been the core values for organizations in Christianity-ruled nations.
- iii. As Islam denies loaning cash for premium, Islamic Banks follow the 'sharia' given in Quran in their tasks.
- iv. Grantham, Tipitaka's, and so forth., are the wellsprings of moral qualities for the separate adherents. Business people who are firmly impacted by their strict convictions and standards apply them in their business exercises and have been fruitful too.

3. Culture: Culture is a lot of qualities, rules or guidelines sent among ages to deliver a typical conduct among individuals. It changes in agreement with the time. Social qualities once hold great and right need not be the equivalent after some time. Culture is the harbinger of co-activity also, co-appointment between the individuals of various nations. Issues identifying with social contrasts should be seen by social relativism and explained. Globalization has obliged the social trade through transnational companies. Code of morals received by the organizations need to address the social sentiments of the nations where they work.

Ethics in Current Indian Businesses

Let us look at the conduct of any business with deference to every partner that bolsters its reality and development.

- 1. Clients:** A food merchant who cheats by giving home conveyance of not exactly charged load of the things will before long find that he needs to close his business. A similar rationale holds great for any business giving less an incentive for its client's cash.
- 2. Workers:** Pay less to representatives contrasted with other comparable occupations, acquire nepotism, be uncalled for in advancement rehearses, be insensitive in taking care of the cleanliness, wellbeing and individual needs of workers and find that your business can neither select great people nor hold them. Unscrupulous practices hurt in the short, the medium too as the long haul!
- 3. Merchants:** Treating the providers (crude materials to hardware) in a self-assertive way, captivating in nepotism, looking for underhand commission and so forth perpetually hurt. These outcome in brought down normal quality, more defectives or on the other hand more significant expenses. These hurt the gainfulness of the business in the medium term, if not promptly, and make endurance troublesome Banks: Those who give accounts to capital costs what's more, for the working capital must be certain that the executives is deserving of their trust. The banks need to have confidence not just in the specialized ability of the executives, yet additionally need to have a confirmation that the money related dealings of the business are appropriate. Indeed, even a little slip on an inappropriate side of morals makes this trust vanish for the time being! No business can endure when denied of the required financing
- 4. Investors:** Since the investors themselves deal with the miniaturized scale, little and medium undertakings, no irreconcilable circumstance exists between the two. Be that as it may, out in the open constrained organizations and in the helpful social orders, the little investors from general

society/premium gathering can get a not exactly reasonable profit for their venture. The top the executives can take an unduly huge portion of benefits for themselves, show less benefits, and bring in cash 'on the side' for themselves at the expense of the association. Such unscrupulous practices make endurance dubious and the degree for raising capital through expanding the value vanishes.

5. **Society:** The open weight on the business is expanding: the business isn't just asked not to hurt nature yet in addition expected to acknowledge some social obligation. Self-ruling bodies like SEBI and the legislature fortify this interest through sets of accepted rules and laws. Open Interest Litigations guarantee that the conspiracy between the polluters and the contamination regulators is diminished. The enormous scope organizations are tolerating and following up on their Corporate Social Responsibility. An enormous some portion of the financing to the NGOs of various types originates from the magnanimous gifts/support from the little and medium scale organizations. We therefore observe that each business in the serious markets of today and tomorrow is, truth be told, acting morally with every one of its partners basically in light of the fact that it requirements to endure and develop. Untrustworthy practices with partners lead constantly to the termination of the business, at some point or another. Along these lines, the announcement (made in the start of this article) most organizations carry on morally a large portion of the occasions is for sure legitimate in India today.

Yet, at that point, for what reason do the vast majority feel that the Indian organizations are for the most part untrustworthy?

Conclusion

India has always been borrowing management styles and systems from foreign lands, instead of developing her own management styles in consonance with her own cultural ethos; and drawing from her rich heritage and tradition as well as her ancient value-based culture. In Indian philosophy customers are considered as God himself. Serving the customer is equated with serving God. We the individuals are the creator of the nation and at the same time destroyer of the same. Therefore, to change the society first we should change ourselves. Business Organization is established by the People, for the People, of the People. But this is not the situation in practical. As Mahatma Gandhi has rightfully said, - "we are not doing the customer a favor by serving him, rather the customer is doing us a favor by giving us opportunity to serve him". In all cases the individuals stay at the forefront. If the people as employee of the organization want to do some welfare of the society, he has to set his mind influenced by the Code of Ethics. For ethical codes to be effective, provisions must be made for their enforcement. Unethical managers should be held responsible for their actions. This means that privileges and benefits should be withdrawn and sections should be applied. Although the enforcement of ethical codes may not be easy, the mere existence of such codes can increase ethical behavior by clarifying expectations. Effective code enforcement requires consistent ethical behavior and support from top management.

Suggestions

From the above discussion it can be suggested that, professional bodies should make some initiatives in this regard to ensure disclosure of ethical information to the community at large. Step taken towards the social responsibility should be standard. Decisions taken by the organization's authority should be evaluated ethically and for this purpose an expert should be appointed. Organization should focus not on the results rather than on the process of achieving that result. Everyone in the organization should participate in the formulation of mission statements. Rethink, Recheck and Reapply process should be adopted for any unethical decision. Each and every modern business organization should have their own Code of Ethics The Indian tradition and heritage, its culture and philosophy, its ethos and values is like an ocean. If we can apply even a few drops of water from the ocean to the management of the modern organization, we will be able to do great service, not only for ourselves, or for organizations, but also for our future generation.

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