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A Study on Factors Influencing Ethical Culture at Organisations in Indian Context

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ABSTRACT:

Organizational ethics is experiencing a definite attention on the grounds of its obvious benefits to the Organisations in long run. India, with its rich cultural heritage and rapidly growing economy extends a unique landscape of ethical exploration. The convergence of traditional values and modern business practices creates a complex environment for ethical decision-making. Indian organizations are increasingly recognizing the importance of fostering an ethical culture to ensure sustainable growth, enhance employee morale, and maintain stakeholder confidence. Several factors influence the ethical culture in Indian organizations, including leadership practices, organizational policies, corporate governance, socio-cultural norms, and the regulatory framework.

This study on factors influencing Ethical Culture at Organisations in Indian context is an Exploratory & Descriptive research conducted with the help of Secondary Data. The Researchers aim to understand the significance of Ethical Culture in Organisations and Study the factors influencing ethical culture at Organisations in Indian context. The study further aims to identify the challenges in creating ethical culture at Organisations in Indian context. The researchers exhibit cases of selected Organisations pertaining to ethical culture at Organisations. The Researchers also extend recommendation pertaining to Ethical Culture at Organisations. The study encapsulates the domain of ethics and ethical culture at organisations. The Inferences are limited to the observation & understanding of the Researchers. Hence the results are indicative in nature rather exhaustive.

Key Words: Ethics, Ethical Business, Ethical Culture, Organisations

INTRODUCTION:

The ethical culture within an organization plays a crucial role in shaping its success and reputation. It influences decision-making processes, employee behaviour, stakeholder trust, and overall organizational performance. In the Indian context, where diverse cultural, socio-economic, and regulatory factors interplay, understanding the dynamics of ethical culture becomes even more significant. Organizational ethics is experiencing a definite attention on the grounds of its obvious benefits to the Organisations in long run. India, with its rich cultural heritage and rapidly growing economy extends a unique landscape of ethical exploration. The convergence of traditional values and modern business practices creates a complex environment for ethical decision-making. Indian organizations are increasingly recognizing the importance of fostering an ethical culture to ensure sustainable growth, enhance employee morale, and maintain stakeholder confidence. Several factors influence the ethical culture in Indian organizations, including leadership practices, organizational policies, corporate governance, socio-cultural norms, and the regulatory framework.

This study aims to explore these factors and their impact on shaping ethical behaviour within organizations. By examining real-world examples and conducting empirical research, this study seeks to provide insights into the best practices and challenges faced by Indian organizations in building and maintaining an ethical culture. Understanding the factors influencing ethical culture can help organizations develop effective strategies to promote ethical behaviour, mitigate risks, and create a positive work environment. This study will contribute to the existing body of knowledge on organizational ethics and provide practical recommendations for Indian organizations striving to enhance their ethical culture.

LITERATURE REVIEW:

The Unethical Practices that are taking place motivates the researchers to explore further in this context to establish the ethical empire. Various authors have contributed towards the broader theme of ethical culture at organisations.

Ethical challenges faced by businesses in India and provide valuable perceptions for business leaders and academics to promote ethical business environment in India. It aspires to guide the business leader toward a path of sustainable economic growth and responsible business conduct that benefits both society and organizations at large it is important to develop ethical behavior throughout the corporate world to build confidence and to provide a sincere service. (Mishra, 2023) In Indian organizations, hierarchical structures dominate, placing all authority with the boss and often disempowering

employees. This hierarchy can lead to employees following incorrect orders from superiors without question. Ethical culture development is crucial to enable open communication and discussion of sensitive matters with management. Modern organizations in India require open communication, participative management, ethical leadership, and clear codes of ethics. These codes must state basic principles and expectations, be accepted, and internalized by employees. Managers must focus on both the content of the code and the process of its development. Incorporating ethical and environmental considerations into business practices involves overcoming barriers to engage in tough issues. (Dr. Ajay Singh, 2019)

The comparative analysis of Indian culture with other countries in various regions gives a clear idea that in most countries analysed, individual businessmen ethics are questionable but company ethics can be relied upon by businesses in India. Even when working as a team, Indian employee can rely upon the ethics analysis of individuals from other countries. This paper has thus contributed in understanding effect of culture on ethics through 5 Dimensions cultures core analysis. This analysis can be further extended too other regions of the world. (Devi, 2020) The Indian management involves the practices of Liberation, spirituality, good deeds and culture. It aims at creating a holistic approach of management so that globally the ideas are circulated. The Bharathiya Sanskriti is majorly devised to service leadership ideas. The main aim is following values and being ethical in practices. It adopts practices of being honest and transparent so that innovative contribution is made in management practices and strategically decisions. (Kiradoo, 2017) How ethical culture has been conceptualized and measured in research but also reviewed extant work on its antecedents and outcomes. The development of a future research agenda highlighting opportunities for empirical extension of the field and opportunities to integrate alternative theoretical perspectives to enhance our understanding of how an ethical culture develops and transmits its effects within an organization (Bhattachary, 2022)

Table No. 1: Leading definitions related to the theme of the study

Definition Source	Definitions
Aristotle, "Nicomachean Ethics"	Ethics is the study of what is good and bad, right and wrong, just and unjust. It is the pursuit of the highest good, which he called 'eudaimonia' or flourishing."
Peter Singer, "Practical Ethics"	Ethical Business=Ethical business involves practices that align with moral and ethical standards, focusing on honesty, integrity, fairness, and responsibility
Edgar Schein, "Organizational Culture and Leadership"	Ethical Culture= Ethical culture within an organization is the collective behavior of its members that aligns with the organization's values and ethical standards, promoting ethical behavior.
Henry Mintzberg, "The Structuring of Organizations"	Organization= Organizations are structured groups of people working together towards common goals, characterized by formal roles and responsibilities.

OBJECTIVES OF THE STUDY:

The Researchers have considered the following objectives for the study:

- ▶ To understand the significance of Ethical Culture in Organisations.
- ▶ To Study the factors influencing ethical culture at Organisations in Indian context.
- ▶ To identify the challenges in creating ethical culture at Organisations in Indian context.
- ▶ To exhibit cases of selected Organisations pertaining to ethical culture at Organisations.
- ▶ To extend recommendation pertaining to Ethical Culture at Organisations.

RESEARCH METHODOLOGY & PROCESS:

A Study on factors influencing Ethical Culture at Organisations in Indian context is an Exploratory & Descriptive research conducted with the help of Secondary Data. The Researchers aim to understand the significance of Ethical Culture in Organisations and Study the factors influencing ethical culture at Organisations in Indian context. The study further aims to identify the challenges in creating ethical culture at Organisations in Indian context. The researchers exhibit cases of selected Organisations pertaining to ethical culture at Organisations. The Researchers also extend recommendation pertaining to Ethical Culture at Organisations. The study encapsulates the domain of ethics and ethical culture at organisations. The Inferences are limited to the observation & understanding of the Researchers. Hence the results are indicative in nature rather exhaustive.

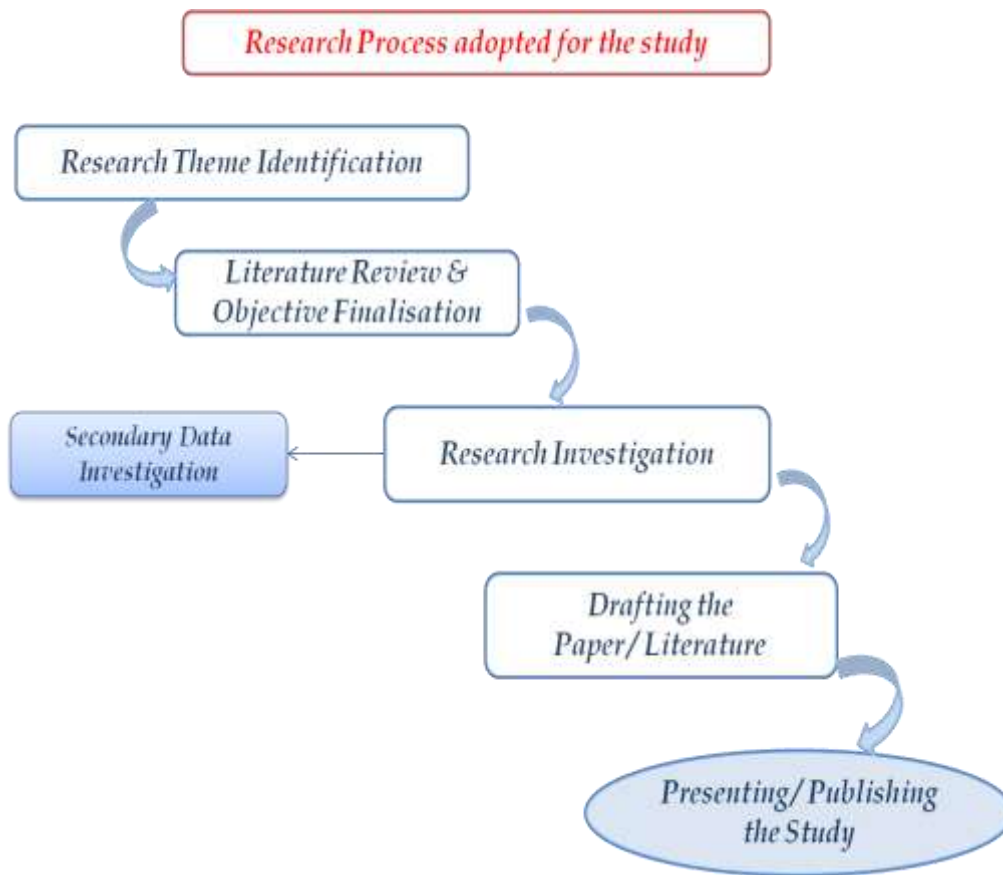


Figure No.1: Research Process adopted for the study

Source: Authors' Study

ETHICAL CULTURE AT ORGANISATION: SIGNIFICANCE

Ethical culture is the backbone of a successful and sustainable organization. Its significance extends beyond mere compliance with laws it shapes the very identity of a business and its long-term impact on society. The potential benefits out of the ethical culture at organisations signifies its essence for organisation. The following elements signify the existence of ethical culture at organisations:

1. Builds Trust

An ethical culture earns the trust of employees, customers, investors, and other stakeholders. Trust, in turn, strengthens an organization's reputation, which is critical in attracting and retaining talent, customers, and partnerships.

2. Encourages Employee Engagement and Retention

Employees are more likely to feel motivated and loyal when they see their organization upholding ethical practices. It fosters a positive workplace environment where employees are treated with dignity and respect.

3. Ensures Compliance

By embedding ethics into decision-making, organizations reduce the risk of unethical behavior, legal penalties, or scandals. An ethical framework ensures compliance with laws and regulations, protecting the organization from reputational and financial harm.

4. Drives Growth & Organisational Success

Ethical organizations are better positioned to achieve sustainable growth. Customers and investors today prefer to support companies that align with their values and contribute positively to society.

5. Encourages Social Responsibility

Ethical culture ensures that an organization positively impacts society and the environment. From fair labour practices to eco-friendly operations, these efforts demonstrate accountability and care for the greater good.

6. Enhances Decision-Making

An ethical framework helps leaders and employees make decisions that align with the organization's core values. This reduces ambiguity in challenging situations and fosters consistency in actions.

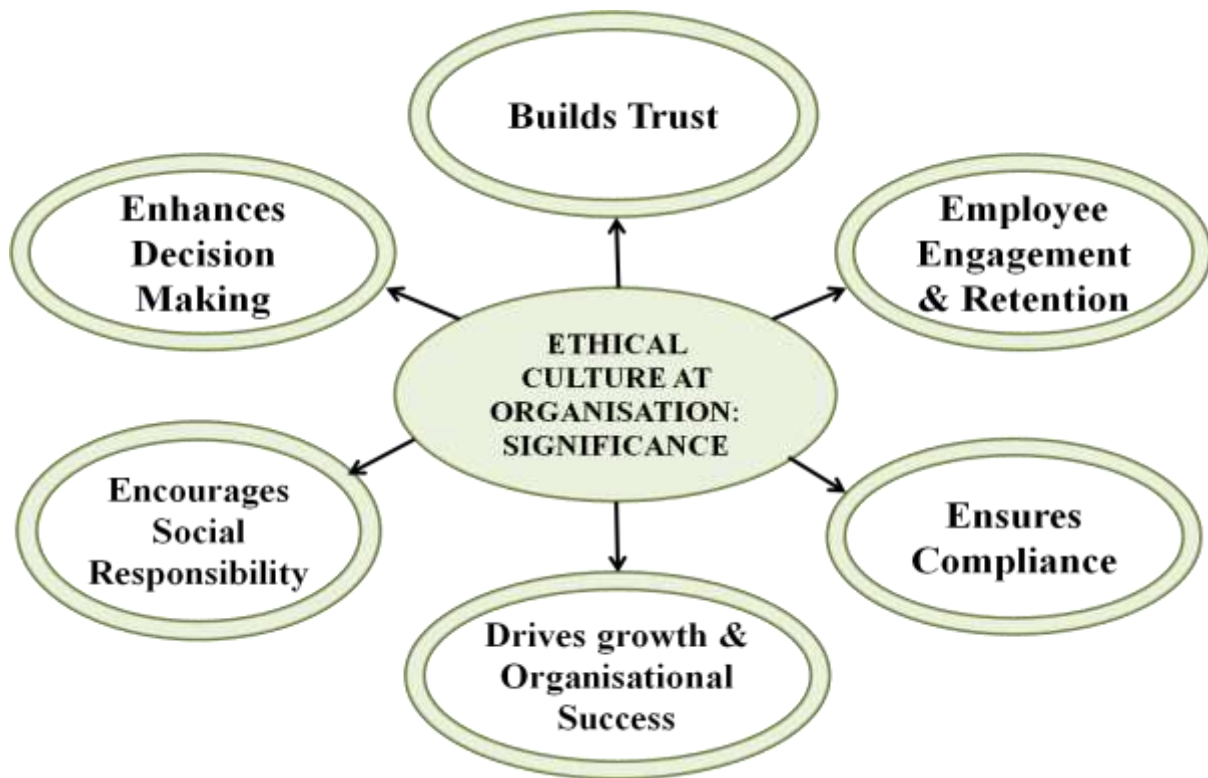


Figure No. 2: Significance of Ethical Culture at Organisations

Source: Authors' Study

Exhibit 1- Story of TATA depicting Ethical Culture

The Tata Group is renowned for its strong ethical foundation and commitment to values. One notable example is the Tata Steel Company, which has consistently demonstrated its dedication to ethical practices. Tata Steel, established in 1907, has been a pioneer in promoting employee welfare and community development. In 1912, it became the first company in India to introduce an eight-hour workday, long before it became a global standard. The company also implemented maternity leave and provident fund schemes for its employees, showcasing its commitment to social responsibility. During the 2008 global financial crisis, Tata Steel faced significant challenges after acquiring Corus, a European steelmaker. Despite the financial strain, the company upheld its ethical principles by ensuring that no employee was laid off. Instead, Tata Steel focused on cost-cutting measures and operational efficiency to navigate the crisis. The Tata Group's ethical culture is further reinforced by the Tata Code of Conduct, which serves as a guiding framework for all its companies. This code emphasizes integrity, responsibility, excellence, pioneering spirit, and unity, ensuring that ethical practices remain at the core of the group's operations.

Factors Influencing Ethical Culture at TATA Group

1. **Leadership and Vision:** Founders like Jamshedji Tata and leaders such as Ratan Tata have set a strong example of ethical leadership.
2. **Core Values:** Integrity, responsibility, and excellence, as outlined in the Tata Code of Conduct, guide their operations.
3. **Corporate Governance:** Transparency and accountability are central to their governance practices.
4. **Social Responsibility:** Programs like Tata Trusts reflect their commitment to community development.
5. **Employee Engagement:** Ethics training and workshops ensure alignment with the group's values.
6. **Sustainability:** Emphasis on reducing carbon footprints and promoting eco-friendly practices.

Source: www.tata.com

FACTORS INFLUENCING ETHICAL CULTURE AT ORGANISATIONS

1. **Leadership and Role Models:** Leaders set the tone for ethical behaviour. Their decisions, communication, and actions influence the organization's values. Ethical role models inspire employees to act responsibly.

2. **Policies and Codes of Conduct:** Clear guidelines, like codes of ethics and policies, provide a framework for acceptable behaviour. They act as a reference for decision-making.
3. **Training and Awareness:** Regular training programs and workshops on ethics help employees understand the importance of integrity and equip them to handle ethical dilemmas.
4. **Reward Systems:** Recognizing and rewarding ethical behaviour encourages a culture of transparency and integrity.
5. **Organizational Values:** Core values that prioritize honesty, accountability, and fairness reinforce the commitment to ethical practices.
6. **Open Communication:** Environments that promote transparency and allow employees to voice concerns without fear of retaliation build trust.
7. **Workplace Environment:** A positive, inclusive, and respectful work culture encourages ethical decision-making.
8. **Accountability Mechanisms:** Establishing processes to address unethical behavior ensures compliance and fairness within the organization.
9. **External Stakeholder Expectations:** Customers, investors, and regulatory bodies can also influence ethical standards through their expectations and feedback.

Exhibit 2- Story of Godrej depicting Ethical Culture

Ethical culture within the Godrej Group is "Good & Green" initiative, which reflects their commitment to sustainability and social responsibility.

Under this initiative, Godrej focuses on three key areas:

1. **Greener India:** They aim to reduce their environmental footprint by adopting sustainable practices, such as energy efficiency, water conservation, and waste management. For instance, Godrej has implemented green building practices and renewable energy projects across its facilities.
2. **Employability:** Godrej actively works to enhance the employability of underprivileged youth through skill development programs. Their Godrej Disha initiative has trained thousands of young individuals, empowering them with skills to secure meaningful employment.
3. **Product Innovation:** The company emphasizes creating products that are environmentally friendly and socially impactful. For example, they have developed products that use fewer resources and are safer for consumers and the environment.

Godrej's ethical culture is also evident in their Code of Conduct, which ensures that all employees and stakeholders adhere to high standards of integrity, fairness, and respect. Their transparent and inclusive approach to business has earned them a reputation as one of India's most socially responsible companies.

Challenges in adopting the ethical culture at GODREJ Group

1. **Balancing Profitability with Ethics:** Striking a balance between maintaining ethical practices and achieving financial goals can be challenging, especially in competitive markets.
2. **Employee Alignment:** Ensuring that employees across all levels understand and embrace the company's ethical values requires consistent communication, training, and reinforcement.
3. **Cultural Diversity:** With operations spanning multiple geographies, aligning diverse cultural norms and practices with a unified ethical framework can be complex.
4. **Supply Chain Management:** Maintaining ethical standards throughout the supply chain, including suppliers and partners, can be difficult, especially when dealing with external entities.
5. **Resistance to Change:** Shifting to a more ethical culture may face resistance from employees or stakeholders accustomed to traditional practices.
6. **Transparency and Accountability:** Building a culture of transparency and accountability requires robust systems and processes, which can be resource-intensive to implement.
7. **Sustainability Goals:** Integrating sustainability into business operations while maintaining profitability can be a long-term challenge.

Despite these challenges, Godrej has made significant strides in fostering an ethical culture through initiatives like the Good & Green program and their emphasis on diversity, inclusion, and sustainability.

Source: www.godrejenterprises.com

CHALLENGES IN ADOPTING THE ETHICAL CULTURE AT ORGANIZATION

The study identifies the following challenges in adopting the ethical culture at Organisation:

1. **Conflicting Priorities:** Balancing ethical practices with profit-driven objectives can lead to tough decisions, especially in highly competitive industries.
2. **Resistance to Change:** Long-standing habits and practices within the organization might clash with new ethical initiatives, causing hesitation or pushback.
3. **Inconsistent Leadership Commitment:** If leaders fail to consistently demonstrate ethical behaviour, it undermines efforts to foster an ethical culture.
4. **Global and Cultural Differences:** Operating in diverse regions with varying norms and values can complicate efforts to establish a uniform ethical standard.
5. **Lack of Resources:** Implementing ethics programs, training, and monitoring systems requires time, money, and expertise, which may be limited.
6. **Pressure to Achieve Results:** Employees might feel forced to compromise ethical standards under intense pressure to meet targets or deadlines.
7. **Weak Accountability Systems:** Without robust mechanisms to detect and address unethical behaviour, there's a risk of misconduct being overlooked.
8. **Fear of Reporting:** Employees may hesitate to report unethical practices due to fear of retaliation or lack of trust in the process.
9. **External Challenges:** Market fluctuations, corruption in supply chains, or unethical behaviour by external partners can pose challenges to maintaining an ethical stance.

While these challenges are significant, they can be addressed through strong leadership, consistent communication, and systems that align business objectives with ethical values.

Exhibit 3- Story of HUL depicting Ethical Culture

The ethical culture of **Hindustan Unilever Limited (HUL)** initiative is known as "**Project Shakti**". This program exemplifies HUL's dedication to empowering marginalized communities while maintaining sustainable and ethical practices. Launched in 2001, Project Shakti addresses the challenges faced by rural communities in accessing livelihood opportunities. It provides rural women, called **Shakti Ammas**, with entrepreneurial training, enabling them to become direct-to-home distributors of HUL products. Through this initiative, women not only earn an income but also gain confidence and respect within their communities. Over the years, Project Shakti has expanded to empower over 160,000 women across India. By fostering financial independence, it has uplifted countless households, reflecting HUL's ethical commitment to social inclusion. Additionally, HUL demonstrates its ethical responsibility through environmental projects. For instance, **Project Prabhat**, launched to enhance sustainable development in local communities, focuses on areas such as water conservation, waste management, and enhancing livelihoods. This initiative also addresses the broader challenges of access to resources and environmental sustainability, reinforcing HUL's moral dedication to both people and the planet. HUL's efforts embody the values of balancing profitability with societal well-being, making it a role model for ethically conscious businesses.

Source: www.hul.co.in

Exhibit 4- Story of WIPRO depicting Ethical Culture

Wipro stands as a beacon of ethical business practices and sustainability, with its core values enshrined in the "Spirit of Wipro" a framework that guides employees and leaders alike to act with integrity, excellence, and sensitivity to their environmental and social impact. Wipro's ethical culture is its "Wipro Cares" initiative. This program focuses on social responsibility in areas like healthcare, education, and environmental sustainability. In one project, Wipro collaborated with communities to improve access to education for underprivileged children, ensuring inclusivity and equity. By addressing the educational gap, Wipro not only enhanced lives but also contributed to nation-building. Another impressive example is Wipro's unwavering commitment to environmental stewardship through its Sustainability Practices. The company has long focused on reducing its carbon footprint, promoting renewable energy, and optimizing water and waste management. Wipro also ensures that its operations align with strict ethical guidelines, encompassing employee welfare, fair labour practices, and transparency across its supply chain. Wipro's Code of Business Conduct (COBC) ensures that all stakeholders adhere to the highest standards of ethical behaviour. Employees undergo regular training to handle ethical dilemmas effectively, ensuring a culture of integrity permeates every level of the organization.

Through these efforts, Wipro demonstrates how businesses can thrive while prioritizing ethical principles and social accountability.

Source: www.wipro.com

Exhibit 5- Story of Infosys depicting Ethical Culture

Infosys, one of India's leading IT companies, is often recognized for fostering an ethical corporate culture. Infosys was founded in 1981 by Narayana Murthy and a group of engineers with a vision of creating an organization built on transparency, integrity, and fairness. These values were not just aspirational but operational, guiding how the company conducted business. One prominent example of its ethical commitment is its adherence to corporate governance. Infosys became one of the first companies in India to voluntarily adopt stringent corporate governance practices, much before they were

mandated by law. The company has an independent and diverse board to ensure unbiased decision-making and accountability. Infosys even established a whistleblower policy, empowering employees to report unethical practices without fear of retaliation. Moreover, Infosys created the “Infosys Foundation,” which reflects its ethical commitment to social responsibility. Through initiatives in education, healthcare, and rural development, the company ensures it gives back to society while maintaining a sustainable business. One of the most famous cases showcasing Infosys’s ethical stance occurred in the early 2000s when it faced a dispute regarding software exports and tax exemptions. Infosys cooperated fully with tax authorities and chose to prioritize transparency over quick gains, demonstrating its commitment to ethical practices. This commitment to ethics has earned Infosys respect worldwide and solidified its reputation as an organization that values both profit and principle. The company's culture, championed by its leaders, serves as a role model for businesses striving to merge growth with ethical responsibility.

Source: www.infosys.com

A RECOMMENDARY MODEL TOWARDS ADOPTING ETHICAL CULTURE AT ORGANISATIONS

The authors through the study contribute the best practices based on the theoretical and literature review towards adopting ethical culture at organisations. The case representations of companies like Tata group, Godrej, HUL, Wipro and Infosys have supported the authors to prepare recommendation on factors that may be essential towards adopting ethical culture at Organisations. The following factors are essential for adopting ethical culture at organizations leadership, ethical guidelines, training on ethics & culture, open communication culture, goal congruence, recognition culture, community responsibility and continuous monitoring for improvements.

1. Leadership Commitment

- Ethical culture begins at the top. Leaders at Wipro should consistently demonstrate integrity and ethical behaviour, setting an example for employees to follow.
- Regular communication from leadership about the importance of ethics reinforces its significance.

2. Clear Ethical Guidelines

- Wipro already has a robust **Code of Business Conduct (COBC)**, which can be further emphasized through regular updates and training.
- Employees should have easy access to these guidelines to navigate ethical dilemmas effectively.

3. Ethics Training and Awareness

- Conduct regular workshops and training sessions to educate employees about ethical practices and the consequences of unethical behaviour.
- Include real-life scenarios and case studies to make the training relatable and impactful.

4. Open Communication Channels

- Establish mechanisms like an **Ombuds Process** where employees can report unethical practices anonymously and without fear of retaliation.
- Encourage a culture of transparency and accountability.

5. Integration with Business Goals

- Align ethical practices with Wipro’s business objectives to ensure that ethics are not seen as separate but integral to success.
- For example, sustainability initiatives and fair labour practices can be tied to operational goals.

6. Recognition and Accountability

- Recognize and reward employees who demonstrate ethical behavior.
- Implement strict accountability measures for violations to maintain trust and integrity.

7. Community and Environmental Responsibility

- Continue to expand initiatives like **Wipro Cares** and sustainability programs to demonstrate a commitment to societal and environmental well-being.
- Engage employees in these initiatives to foster a sense of shared responsibility.

8. Continuous Monitoring and Improvement

- Regularly assess the effectiveness of ethical practices through surveys, audits, and feedback mechanisms.
- Adapt and improve policies based on findings to address emerging challenges.

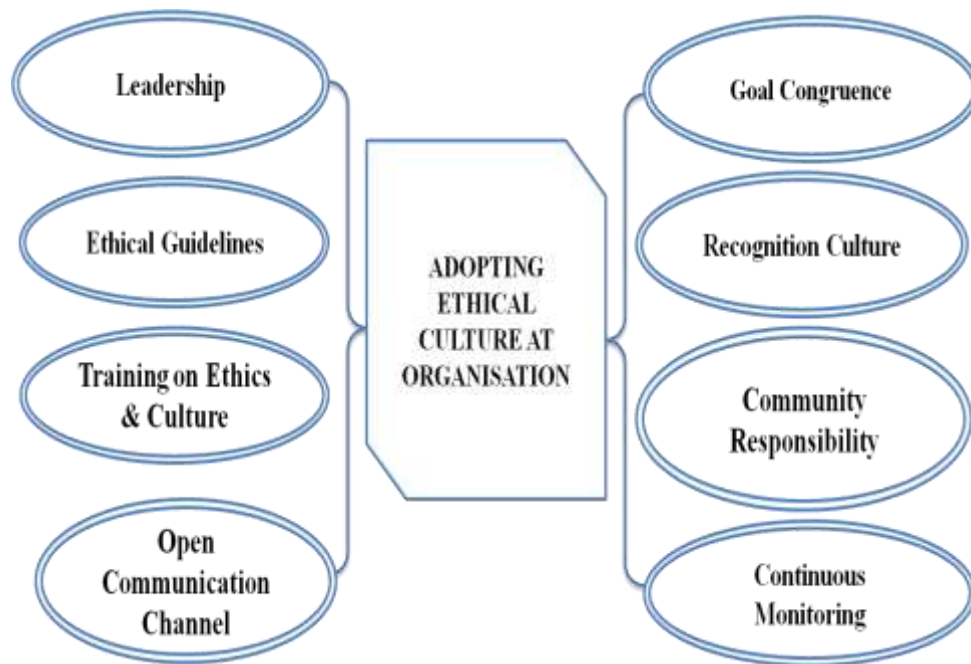


Figure No.3: Recommendations on adopting ethical culture at Organisation

Source: Authors' Study

CONCLUSION:

The study concludes that Ethical culture is the backbone of a successful and sustainable organization. Its significance extends beyond mere compliance with laws it shapes the very identity of a business and its long-term impact on society. The potential benefits out of the ethical culture at organisations signifies its essence for organisation. The authors through their case representation on companies like Tata group, Godrej, HUL, Wipro and Infosys have contributed to the literature with live examples of ethical culture significance and challenges at these companies. The study concludes that the following factors are essential for adopting ethical culture at organizations leadership, ethical guidelines, training on ethics & culture, open communication culture, goal congruence, recognition culture, community responsibility and continuous monitoring for improvements. Understanding the factors influencing ethical culture can help organizations develop effective strategies to promote ethical behaviour, mitigate risks, and create a positive work environment. The culture at the Organisation, created by its leaders, serves as a role model for businesses striving to grow ethically.

FUTURE SCOPE OF THE STUDY:

The current study is a secondary data study with exploration on factors and challenges with respect to the Ethical culture at Organisations. Such studies have a definite scope of further studies pertaining to collection of Primary Data from selected Organisations and produce inferences which will demonstrate pragmatic view. Also, Comparative study on ethical culture at Organisations across industries will be enhanced research.

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