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### Business Ethics and Corporate Governance - A Global Perspective

#### Abstract ::

*Business Ethics and corporate Governance, in the modern age is one of the most important aspects so far as effective functioning of a corporation is concerted. The responsibilities of a corporation are not only economic but society and increasingly political – namely the government. Maintaining a proper perspective on this dimension is vital for the survival of corporation. It is no doubt a complex job. Many companies believe in adopting the best practices in the area of corporate governance. Corporate governance is viewed as a value to be imbibed and an ideology to be ingrained into the corporate culture. Company's philosophy on corporate governance is strong emphasis on human value, individual dignity and adherence to honest ethical and professional conduct. A corporation is congregation of various stakeholders namely customers, employees, investors, vendors, partners, governments and society. A corporation should be fair and transparent to its stake holder in all its transactions. This has become imperative in today's globalize business world where corporations need to access global pools of capital, need to attract and retain the best human capital from various part of the world, need to partner with vendors on mega Collaborations and need to live in harmony with community unless a corporation embraces and demonstrates ethical conduct, it will not be able to succeed.*

*In this study, we have focus on 'Business Ethis' and 'Corporate governance' philosophy, how Business ethics influence corporate governance, deterioration in corporate governance, factor influencing quality of governance, Ethical codes and guidelines and some Business ethics and corporate governance institutes and sites.*

#### 1. Introduction ::

The globalization and liberalization prompt more and more countries to open their doors to foreign investment and business expand across the borders. These waves change the whole market structure, apportioned behaviors and corporate governance at the domestic as well as international level which impact the organizational performance.

But Over the last few years we come across, so many instances of well regarded corporate involved in corporate corruption scandals, looting their share holders and deterioration in the system of managing corporate governance. So it become an episode of embracement to the stakeholders. After that recent years moral of organization behavior, value oriented decisions and rules of business conduct i.e. 'Business Ethics' and accountability, transparency, clarity of responsibility and adequate reporting i.e. "Corporate Governance" have become at most a public issue and have started gating favorable response from business leaders, corporations, government agencies, share holders employees, suppliers, customers, competitors, media, every citizens and the whole society. It is a high time to take care of interest of the society, nations and corporate world at large and interest of the stockholders to run corporate governance in an Ethical, transparent and accountable manner that the confidence of the stakeholder would be increate.

#### Business Ethics

According to Robert Gveither in his book "Management" Highly publicized accounts of corporate misconducts in recent years have led wide spared cynicism about Business Ethics and the subject ethics is receioing serious attention in management circle these days.

The word 'Ethics' has origin in Greek word. Ethics mean character, norms, morals and ideas prevailing

in group, society. Business ethics refer to set of moral principles which play a very significant role in guiding the conduct of managers and employees in the operations of enterprise. These are the written and unwritten codes of principles and values that govern decisions and actions within a company. Now a day's Business Ethics has come to be considered a management discipline, especially since the birth of social responsibility of business concept in the corporate world. Business owes responsibilities to work to improve society. There is a growing realization all over the world that ethics is vitally important for any business and for progress of any society. Ethics and profit go together in the long run and it can protect the society. In fact experience shows that good ethics is the foundation of good business. The phrase 'Business Ethics' refers to identifying the difference between what is right or wrong at the work place and choosing to do what is right. This is in regard to effects in relationship with stakeholders and stakeholder include Customers, suppliers creditors, government, employees, share holders and whole community belong to company. Ethics is a matter of developing good habits and it doesn't happen overnight. It happen through repetition and a long process of development.

### **Corporate Governance**

Corporate Governance is a multifaceted subject which deals with issue of accountability and fiduciary duty, essentially advocating the implementation of guidelines and mechanisms to ensure good behavior and protect stakeholders. The recognitions of issue relating to corporate governance is timely after witnessing the shocking corporate failures due to corporate scandals in the era of economic liberalization. The first was major securities scam that exposed in April 1992, which invoked a large number of banks. To mention some scams internationally like World Com, Enron, Tyco, VIVEDI, MARCONI, QUEST, MEC, XEROX etc in 2001 and scams in India Harshad Mehta, Ketan Parekh UTI-64, MEPC GOURP, M.S. SHOOS East Ltd. Manu Chhabaria Gourp and host of engaged companies in teak plantations and Satyam etc. Which shafted a crises of stakeholders confidence. All crises caused related inadequacies and malpractices in corporate governance. Corporate governance which advocates enhancing the accountability of board of directors of the companies to share holders, employees, suppliers, customers etc, more transparent and timeliness auditing and more responsibilities of independent director and a division of roles of chairman and chief executives. It ensure that corporate manager run their business successfully and honestly so take care of long term interest of all stakeholders, Good governance to the corporate will result in good result and such corporation will become matter of pride for the country and increasing the confidence of the shareholders and small investors. But if the incident like "SATYAM" happens then same brings down the prestige of the corporation as well as the industry. It also result in loss of confidence of shareholder in the company. Thus good governance would always mean good internal management by the directors of the company.

### **How Business Ethics Influence Corporate Governance**

It is globally accepted fact that there is an inevitable connectivity between business ethics and corporate governance. No organization can exist and function for long except on moral foundations. Each corporation nation and management has its own business ethics with the help of the certain ethical principles, divisors fun, administered and controlled the business and make decisions based on a set of principles inflated by the value, ethics, customs policies and laws established in the company, which encouraged and prodded to improve their business and prestige. A decade ago many companies viewed business ethics only in terms of administrative compliance with legal standards and internal rules and regulation. But today, attention to business ethics is on the rise across the world and many companies realize that in order to succeed, they must earn the respect and confidence of their stakeholders. Corporate governance is the basis of high level transparency, openness, fairness and accountability in all area of operations and promoting ethical conduct throughout the organization with primary objectives of enhancing shareholders value. It has an important role to play as an instrument of investors protection. It is a tool to judge and evaluate the standards and ethics of corporate management. So It is a high time that the companies have how began to integrate ethics in to corporate cultures and concentrate on putting appropriate governance mechanism in their policy.

### **Problems on Ethical Issue in Global Business**

Today looking to the activities of various corporate houses and business enterprises, we see that companies are experiencing difficulty to ran business on ethical norms. So they adopt some

undesirable practices as under which creates problems in global business scenario.

- Indulge in prevailing corruption. Bribes and Corruption in international business are common.
- Violation of human rights.
- Avoid to pay fair share of government taxes like income tax, excise, import duty etc.
- Generate black money and speculative transactions, uncomfortable inflation
- Environmental pollution, water pollution disposal of toxic waste eroding of earth's ozone layer and causing global warming.
- Discrimination of woman at work place and sexual harassment.
- Not making investment in less developed countries out of enormous profit.
- Violation of copy rights and software laws etc.

### **Deterioration in corporate Governance Globally**

Looking to the activities of various corporate and industrial houses we see that the deterioration in system of managing attains is there to a great extent. The directors and various committers. Which formed for the corporate governance, act as an agent of the shareholders instead of working as the trustees of the society to which they belongs.

### **Deterioration in Corporate Governance**

#### **Mili Bhagat:**

The level of transparency and standards of disclosure observed in Indian and internationally corporate sector leave much space to be fill in. The practice of placing personal interest above the stakeholder is quite wide spread in corporate sector. The 'Milli Bhagar'. System was being practiced on a large scale in the Indian corporate scenario.

#### **The strategic failures:**

The companies often fail to understand the relevant business drivers when they expend in to new product or geographical market, leading to poor strategic decisions. The board of directors did not understand how the derivatives market worked and therefore did not comprehend the risk associate with it often a lack of adequate due diligence, whether building a new plant or making acquisition, reaccelerates problems.

#### **Over expansion driven by greed:**

Top executive and CEOs of the corporate work are particularly ambitions and egos for more power and wealth. Due to these the companies are frustrated by their inability to grow organically sufficiently, quickly turn to acquiring.

#### **Lack of Transparency:**

A key element of good governance is transparency and is perceived as such. Transparency in turn requires the right to information timeliness and integrality of the information produced. Now a day's many corporate do no maintain transparency. Lack of Transparency mean deterioration in corporate governance very few companies' published corporate governance practices in their annual reports.

#### **Outside directors:**

In public listed companies though 'outside directors' are on the board. They are just for the sake of the form and image rather than any substance. In reality such outside directors do not have adequate independence in such companies. Director must realize that their job is to represent the share holders and other stake holders, and not offer themselves as rubber stamp of the managing director.

#### **More & More Govt. rules and regulations:**

Excessive regulations by company law, government and regulatory agency also affect the corporate

governance. Sometime bureaucrat interface in company's regular administration and governance.

### **Political interference:**

Company is an autonomous body but it has to face govt. policy some time political party, ministers and various leader gives statement regarding corporate governance which affect the company's image.

### **So called professional managers and independent directors:**

Some time both administrators did not help in sound corporate governance. Weak supervision delay decisions create some new problems in fact many of them became willing or unwilling partners in poor corporate governance new a days.

### **Inadequate corporate Governance mechanism and control:**

Corporate governance mechanism and control system must design in such a manner that it reduced the inefficiencies which arise from moral hazard and adverse selection. Non scientist recruitment on key post many not increase performance. Monitoring and controlling firm's executive, access information, knowledge of the decision making process, evaluate by top management mechanism, and will improve corporate governance.

### **Ethical Codes and Guidelines:**

Corporate governance principles and ethical codes have been developed in different countries and issued from stock exchange, corporations, institutional investors or association of directors and international organizations. In a global market place Social Accountability – 8000 Certification is a market place complying with acceptable and ethical practice. These guidelines' were developed by council on Economic priorities Accreditation Agency. Organizational that have received social Accountability – 8000 certification. USA encourage all the business houses to adopt corporate mission statement and implement Voluntary codes of conduct or code of corporate now advance and support UN's Growl compact principles in their business abroad. It is to commit to ten principles of human rights, Laver standards, environment and anti-corruption as part of its strategy, culture and day to day operations. Indian MNC BHEL has participated in this programme.

Some Business Ethics and Corporate Governance institutes and sites

Business Ethics and corporate governance have become global phenomenon. So many institutions training programmes and courses as well as research on Business Ethics and Corporate Governance Some randomly institutions across the world are as follows

- **E. Phillip Saunders college of Business Ethics and Corporate Governance U.K.**

The mission of the institutes is support research and training at Saunders that focuses on the interdependent relationship between business and Society.

- **International Business Ethics institutes (IBEI) Washington D.C.**

Training programme : Business Ethics Primer

An Excellent introduction to Business Ethics and corporate responsibility. This primer define key terms and concept and provides helpful background information.

[www. business\\_ ethis.org](http://www.business_ethis.org)

- **Institutes of Business Ethics London**

To lead the dissemination of knowledge and good practice in business ethics.

[www.ibe.org.UK](http://www.ibe.org.UK)

Institute of Business and Professional ethics DePaul University of Chicago

To facilitate ethical deliberation by stirring the moral conscience and by developing models for ethical decision making in business and the professions.

<http://commerce.depaul.edu>

- **U Ottawa, University of Ottawa**

Human Rights Research and Education center.  
Motto-Teaching and education in the area of human rights  
www.cdp-hvc.ottawa.ca

- **Institute for Global Ethics**

The Institute for Global Ethics mission is to promote ethical behavior in individuals, institutions and nations through research, public discourse and practical action.

- **World Council For Corporate Governance**

The world Council for corporate Governance is an independent, not for profit international network aimed to galvanize good governance practices worldwide. It was established at the first international conference on corporate Governance held in January 2001 in New Delhi.

- **International Business Ethics Forum**

Built by MBA Students at the Joseph M Katz Graduate School of Business at the University of Pittsburgh, under the direction of assistant professor Bradley Agle, the site contains information pertaining of the business ethics climate in a number of countries in every region of the world.

## Conclusion

Corporate governance represent the value frame work, the ethical framework and the moral framework under which business decisions are taken. Business ethics and corporate governance should be the two pillars which shoulder the terrace of the building for which to van organization transparent, fairness, Accountable and responsible to their stakeholders to attract human capital from various part of the world, foreign investment and collaborations, Business ethics and Corporate governance go hand to hand. Institute of Business Ethics, UK does rightly have motto "Doing Business Ethically.... makes for Better Business.

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