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Important of the Ethics in Business

INTRODUCTION

To begin with, let us understand, what is 'Ethics'? The word "Ethics" has origin in Greek work "Ethics" means character; norms, morals and ideals prevailing in a group, society.

Ethics may be referred to as some standardized form of conduct/behavior of individuals understood and accepted in a particular field of activity, or Ethics is a mass of moral principles or sets of values about what conduct ought to be. They give an idea what is right or wrong, true or false, fair or unfair, just or unjust, proper or improper, e.g. honesty, obedience, equality, fairness, etc. and respect and then doing the right thing.

Ethics is a fundamental, personal trait which one adopts and follows as a guiding principle or basic Dharma in one's life. It implies moral conduct and honorable behavior on the part of an individual. Ethics in most cases runs parallel to law and shows due consideration of 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.

Even while rendering a service for a quid pro quo, the individual is expected to ensure that his services do not militate against public good, are not morally indefensible or are not prohibited or punishable by law. Those placed in positions of trust and recognized for their knowledge and expertise shall perform their duty with integrity, independence, sincerity and honesty. That is the basic norm of professional ethics. A professional cannot justify his failure, negligence of compromise, with excuse and explanation.

Every rational human being practices ethics for his own and others' welfare and safety.

BUSINESS ETHICS :

Different meaning is given to business ethics by various people. Business ethics are rules of business conduct, by which the propriety of business activities may be judged. Ethical principles are dictated by the society and underlie broad social policies. These principles when known, understood and accepted, determine generally the propriety or impropriety of business activities.

Business ethics relates to the behavior of manager. It can be defined as an attempt to ascertain the responsibilities and ethical obligations of business professionals. Here the focus is in people, how individuals should conduct themselves in fulfilling the ethical requirements of business ?

One writer (Deepak Parekh, CMO HDFC in his J.R.D. Tata Corporate Leadership Award lecture in 27.02.1997) has given one line definition of ethics: "Do not do something that you would be ashamed of, if it becomes public." It is not too difficult to achieve this reality. There is no pillow as soft as a clear conscience.

Carter McNamara has defined: "Business ethics is generally coming to know what is right or wrong in the work place and doing what is right-this is in regard to effects of products/services and in relationships with stakeholders." "Attention to ethics in the work place sensitizes managers and staff to how they should act so that they retain a strong moral compass. Consequently, business ethics and be strong preventive medicine."

BUSINESS ETHICS IS NOW A MANAGEMENT DISCIPLINE :

McNamara further states that "Business ethics has come to be considered a management discipline, especially since the birth of the social responsibility of business."

According to Robert Kreitner in his book : Management". "Highly publicized accounts of corporate misconduct in recent years have led widespread cynicism about business ethics. And when a 1992 Gallup Poll asked Americans to rate the ethical standards of various professions, only 18 percent scored business executives either high or very high on honesty and ethical standard. Other professions rated as follows: druggists/pharmacists, 66 percent; Medical doctors, 52 percent; police officers, 42 percent; funeral directors, 35 percent; journalists, 27 percent; stock brokers, 13 percent; members of Congress, 11 percent; and car salespeople, 5 percent." Fortunately, the subject of ethics is receiving serious attention in management circles these days.

THE IMPORTANCE OF ETHICS :

Patrica Hayes Andrews and Richard T. Herschel, 'Organization Communication' (pp. 309-10) have excellently summarized the importance of ethics as under: "Unfortunately, in recent years and alarming number of "unethical" situations have arisen in American organizations. For example, The Ford Motor Company refused to alter the dangerous gas tank on its Pinto model because changing it would have cost the company \$ 11 per car. In the end, the flaw cost Ford millions of dollars in lawsuits-and cost many people their live.

Equity funding tried to hide 64,000 phony insurance claims but went bankrupt when the truth came out. Ivan Boesky engaged in "insider trading". and illegal practice for investment counselors. A number of directors of saving and loan associations defrauded depositors, in many cases depriving people of their life savings. It is little wonder that a large majority of the public think executives are dishonest, overly profit-oriented, and willing to step on other people to get what they want (Andres, 1989)."

In India also there are numerous cases of scams and cheating the small investors of their hard earned money. To name few-MS Shoes East Ltd. For misleading investing public, Manu Chabra Group for wrecking the fortunes of about half-a-dozen companies and facing investigations on FERA violations, the Harshad Mehta Epic Stock Scan, claims of the Sterling Group and a host of other engaged in teak plantations, ITC's violation of excise laws and the recent one UTI scam where they have left crores of investors high and dry. This is all to point how managements out of greed to make more money and achieve goals, take the various constituents of the company for a ride in the most unfair ways.

- First, ethical behavior is usually associated with important positive consequences. Honesty in one's professional dealings promotes trust and establishes the foundation for relationship development and positive future interactions. Business in particular depends on the acceptance of rules and expectations, mutual trust and fairness. Thus, ethical business is good business. In contrast, unethical behavior can cause serious damage affecting both the persons committing the behavior and the people touched by it. In the cases described above, innocent people suffered serious financial losses, injury, or loss of life, and in some cases the perpetrators were sentenced to jail. But beyond that the people and organizations that were involved lost credibility.
- Second, from a personal perspective, ethical errors and careers more quickly than any other mistakes in judgment and accounting. Lying, stealing, cheating, on contracts, and so on undermine the very foundation upon which the business and professional world is built. Ethical behavior is especially important for organizational leaders because they influence the ethical climate for everyone else. Leaders are role models.
- Third, ethical behavior is empowering for all parties. The manager who behaves ethically establishes an organizational climate of supportiveness, honesty, and trust. This climate in turn empowers employees to try out new ideas, take risks, express dissent, and generally assume enhanced responsibility.
- Finally, ethical behavior is intrinsically valuable. Those who know that they are honest, who behave humanely in their dealings with others, who are fair in their evaluations of others, and who are concerned for the welfare of the organization as a whole and the society it serves are rewarded with a peace of mind that carries no price tag.

Ultimately, managers who treat other people with unimpeachable integrity thereby earn those

people's trust and make them more willing to support the organization. Conversely, managers who lack integrity promote mistrust among those with whom they deal and make their employees ashamed of their organization and the products and services they provide. Since workers feel their work is unworthy, they stop caring.

"Executives are most effective and successful when they retain their "real life" view of themselves, their positions and the human world outside as well as inside the corporation. Business ethics, ultimately, is just business in its larger human contest."

ETHICS PLAYS KEY ROLE IN BUSINESS :

Another writer Thomas Donaldson (Ethics in Business: A New Look) has observed that "There are three key reasons why business ethics is not a fad and why ethics plays a key role in business.

First, it is crucial that ethics have a considerable influence if we want an efficient, smoothly operating economy. Ethics helps the market to its best. For example, the economist, Alfred Marshall remarked in 1925, that a score of Tata's might well do more for India than any Government, British or local could accomplish-the emphasis is that history of Tata evolution is not just on any kind of capitalism but on ethically-based management.

Second, the government, laws and lawyers cannot resolve certain key problems of business and protect the society: ethics can. Ethics can only resolve futuristic issues such as technology races ahead much faster than the government. Regulations almost always lag behind. That companies social responsibility extends beyond what the law strictly requires.

TO SUM UP-IMPORTANCE OF BUSINESS ETHICS :

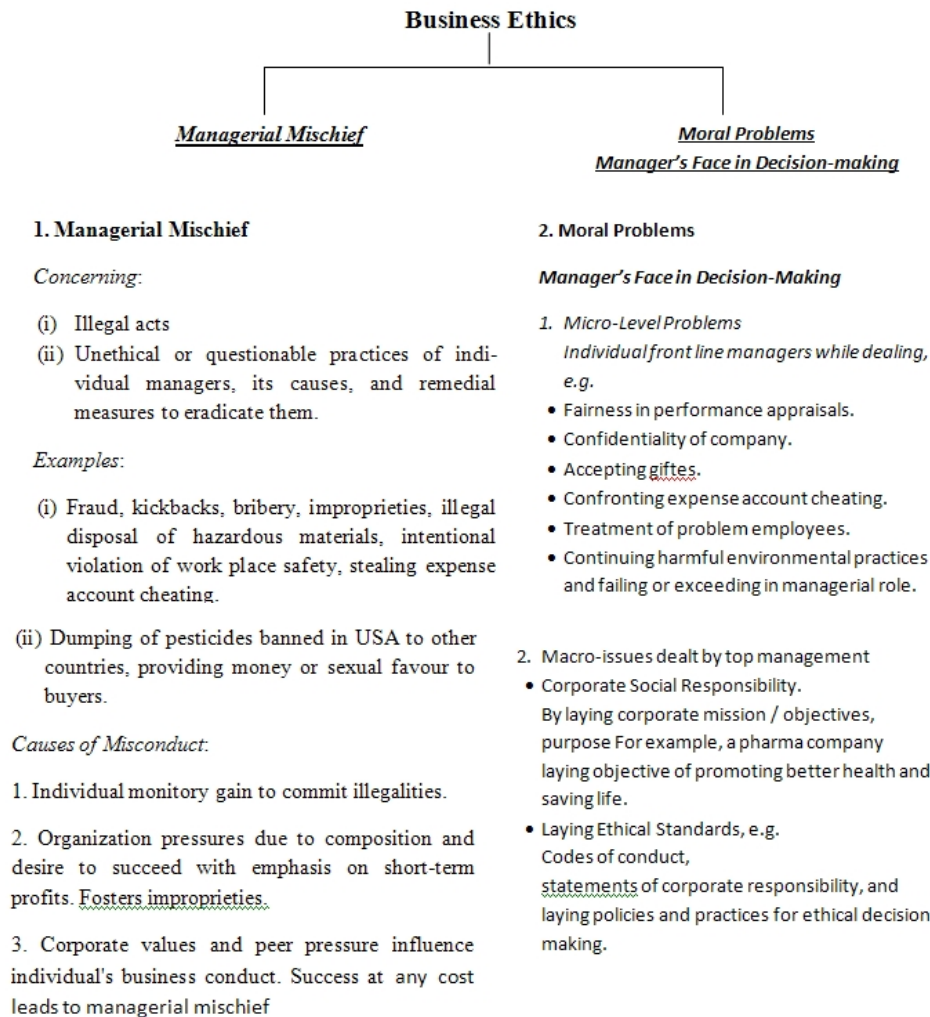
Thomas Donaldson (Ethics in Business: A New Look) sums up that "There is a growing realization all over the world that ethics is vitally important for any business and for the progress of any society. Ethics makes for an efficient economy; ethics alone, not government or laws, can protect society; ethics is good in itself; ethics and profits go together in the long-run. An ethically responsible company is one which has developed a culture of caring for people and for the environment; a culture which flows downwards from the top managers and leaders."

CONCEPTUAL MODEL FOR BUSINESS ETHICS :

Madsen in his book, "Essentials of Business Ethics", explains business ethics can broadly be divided into separate areas:

THREE 'C's" OF BUSINESS ETHICS

- The need for compliance of rules, including- Laws,
- Principles of morality, the customs of community, and
- Policy of the company and fairness.



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