

Business Quality and Business Ethics: Road Map to Success of Emerging Indian MNCs



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Abstract

After the sluice gates of globalisation was opened in 1991, there has been rapid changes in the Indian economy and Indian industrial sector is seen as the primary engine for the gradual transformation of India into powerful economy that hold its own against the very best in the competitive world of global business. These upheavals on the Indian business scenario gave birth to a wonderful creature- that of the Emerging Indian multi-national corporations (MNCs) who have tried to build business quality in order to compete internationally. The formulation, birth and emergence of the Indian MNCs, within such a small span of time is unparalleled in the annals of mankind. But in the frenzy of hyper-competition and the accelerating pace of technological change, organizations the world over are seeking to improve their level of performance by indulging in dubious ways that are at odds with the accepted norms of business ethics. This paper delves into the linkages between business quality and business ethics and how the values, attitudes and behaviour of emerging Indian MNCs should evolve the Indian corporates' business quality and business ethics so that the Indian MNCs to truly come of age in the future.

Keywords: Competition, Quality, Ethics, Corporate Governance.

Introduction

The rapidly changing landscape of business and world affairs makes it increasingly essential for organizations to maintain a systematic understanding of developments. In this era of globalization, amidst the frenzy of hyper-competition and the accelerating pace of technological change, organizations the world over are seeking to improve their level of performance to satisfy all their stakeholders- customers, employees, shareholders, government, suppliers and the community at large. It was only in 1991 that the sluice gates of capitalism started opening up to usher in the flow of globalisation; and since then the tides of globalisation have wrought changes on the hitherto placid Indian shores. Shortly, these upheavals on the Indian business scenario gave birth to a wonderful creature- that of the emerging Indian multi-national companies (MNCs). The formulation, birth and emergence of the Indian MNCs, within such a small span of time, were unparalleled in the annals of mankind.¹ History is witness to only a few instances when a country turned from a primarily agrarian economy to an industry-based economy. The slow emergence, evolution and transformation of the Indian MNCs against the backdrop of a regulated and protectionist regime must correlate the Indian companies' culture with business quality and business ethics that is comparable to world standards.

Aim of the Study

This paper delves into the linkages between business quality and business ethics and how the values, attitudes and behaviour of emerging Indian MNCs should evolve the Indian corporates' business quality and business ethics so that the Indian MNCs to truly come of age in the future. Through the significant links between business quality, business ethics and business strategy that permeates through the paper, it has been sought to establish that 'business quality and business ethics' is the best long term business strategy for an emerging Indian MNCs, to acquire a significant competitive advantage over foreign companies. Since the field of business quality and business ethics is too broad to cover in a single paper, it has been sought to highlight the leadership, quality, corporate governance, ethical practices and philanthropy aspects in this paper.

Importance of Business Quality and Business Ethics

In understanding the concept of 'business quality and business ethics', it is necessary to imagine how a company's values, attitudes and behaviour will evolve from the relationship between the business and partner-political-economic context in which it operates, because the concept of 'business quality and business ethics', is, first of all a cultural value in the entire system of management values around which business management is carried out.

The prevalent evolutionary aspects of the economic environment may be condensed to four modern economical coordinates- a) hypercompetition, b) free market, c) system's efficiency and d) pervasiveness of information technology. ² The onset of globalisation in India has with it hyper competition, typical characteristic of what is described realistically as *turbo-capitalism* in developed economies. ³ Hyper competition, the offspring of the free market has attained prominence in this era of geographical expansion of the markets and globalisation of demand. But the greater degree of economic freedom has led to the growth of problems regarding the principles of competition.

International competition has another major consequence-efficiency of the system. Efficiency or cost-reduction has to be attained by business systems and by reducing diseconomies at a territorial level. Factors like inter-firm agreements and alliances and increasing the competitiveness of the local systems of production help in promoting the efficiency or cost reduction of the system and this leads to the development of this international concept. Basically, this concept promulgates the creation of competition between all countries and this makes it essential to achieve a higher-level economy, which in turn, almost always leads to the setting up of complex MNCs. Emerging Indian MNCs are one such example.

The information technology boom has contributed to the amazing progress of e-business and is a tremendous innovative factor in the relationship between business and the consumer world. This enlarged scope of business worldwide has caused conflicts of interest between the business and the environment. From a purely economical perspective, the firm has an over-riding (and in a certain sense exclusive) purpose of making a profit. ⁴ The formation and survival of a company depends on the best quality/price ratio of its goods and services. But, after leaving behind a phase of construction and reconstruction of the productive apparatus, as a company enters into to a phase of prosperity, the company appears more sensitive to the problems in the quality of life and demands in respect of environmental conditions. Thus, in addition to it's economic purpose, a business also is a social institution. Bulchoz (1991) correctly points out the essential elements of the widened social responsibilities of a company, ⁵ namely-

1. The company has responsibilities that extend much beyond the making of profits from the production of goods and services.

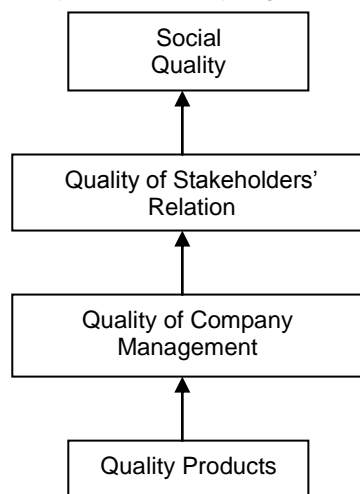
2. These responsibilities are fulfilled by helping to resolve important social problems, especially those that the company create.
3. The company must be cognizant of the general public and not just of shareholders.
4. The company produces effects that go much beyond simple market transactions.
5. The company addresses a wider range of human values than those brought into focus by economic values.

The role of company can be evaluated in three following ways-

Entrepreneurial View	Company as emanation and property of the entrepreneur
Social Economic View	Company as institution that follows economics
Community View	Company as citizen of the community

A company uses resources from the community partly for free. The tax paid by the company is almost never equal to the cost of acquired resources. Bowie (1999) promulgates the concept of social responsibility, where the companies are treated as normal citizens within the community and obliged to make a contribution to solve social and environmental problems.

The wheel of corporate social responsibility entails two vital cogs-that of *quality* and the other of *ethics*. The concept of quality has undergone huge metamorphosis and has graduated from product quality to process quality to management process quality. The pyramid of quality is given below:-



In fact 'quality' is no longer a mere operative practice, but will contribute, in a truly strategic sense-that of generating virtuous process of organizational learning and enhancing company's immaterial resources. ⁶ So for an Indian MNC to develop a global cultural approach, it must seek ways of improving the level of client, customer and citizen satisfaction. From this viewpoint, business quality seems strictly interrelated with the general quality of life. This concept of quality can go a long way to contribute effectively towards reconciling economic and social matters, thereby raising the moral profile of the ethical

principles of management. In this broader sense, quality and ethics appear much closer together. Bowie (1999) emphasizes that prioritizing of moral values seems to be one of the essential requirements of human conduct for the coming decade.⁷ The company image is always linked with its social relations and ethical behaviour.

Business Quality and Business Ethics in Indian Scenario

The emergence of the emergence of the Indian MNCs on the international horizon, in this age of globalisation and information technology, is a momentous epic which was scripted well over three decades ago, when the pioneer businessman of his era, Mr. Aditya Birla of the Aditya Birla group first looked beyond India's shores to foreign lands for expanding his business. India has her very own set of indigenous set of MNCs that are making an impact on the global arena. This century will be the century of China and India. It has been forecasted that by the year 2050, China and India will displace other countries as the new economic superpowers. To be an economic superpower in the world, Indian MNCs will need to stamp their authority, their quality, their class and establish their own brand equity abroad. In this direction a small step has been taken but a long way is yet to be covered.

Firstly, for an emerging Indian MNC aspiring for a global status, it must have *Leadership in its own Business Segment*. Leadership calls for innovation and courage when faced with tough challenges and competition. In this regard, an Indian MNC should have good managerial talent at its disposal, who can be able to perform and face difficult situations and pass through testing times and lead the company forward. Also, in its drive for leadership and innovation, an Indian MNC must display global commitment for providing best and high *Quality Goods and Services* using cutting edge technologies and adhering to stringent international quality standards. In fact, *Leadership* and *Quality* are inter-related because without providing quality products or quality services to its customers, no company can show leadership in any business segment for a reasonable period of time. Leadership requires quality and quality paves the way for leadership. Competition is the crux of globalisation. Competition improves quality, lowers prices and many benefits flow when production is competitively carried out.⁸ An example of mettle of leadership quality was exemplified by the feisty rise of Kinetic Motor, one of India's leading automobile companies and the first Indian company to buy stake from its foreign joint venture partner, Honda motors, Japan. Creating a legacy of launching revolutionary scooters offering unique features, Kinetic Motor went on to offer world-class vehicles like Comet, Aquila, Zing and Blaze to its Indian customers.⁹

A fundamental assumption adhered to while developing this paper is that ethical behaviour is the best long-term business strategy for an Indian MNC. For an Indian MNC, which is primarily, Indian in ethos and which is steeped in Indian values, systems and ethics, the underlying feature that would set it apart

from foreign MNCs would be its *Business Ethics*. It would not be correct to surmise that ethical behaviour is never costly or that ethical behaviour is always rewarded or that unethical behaviour is always punished. But in the long run, ethical behaviour can give Indian MNCs significant competitiveness over companies that are not ethical. Now, the study of ethics, ethical behaviour and their use to resolve complex moral issues is a vast subject, and well outside the purview of this paper. Ethics is the discipline that examine one's moral standards or the moral standards of a society. Ethics is not the only way to study morality; social sciences such as psychology, sociology, anthropology, to name a few branches, also study morality. However, ethics is a normative study of morality and social sciences delves in a descriptive study of morality.

Business ethics is a specialized study of moral right and wrong and how moral standards are applied to systems and organisations through which modern societies produces goods and services and to the people who work within the organizations. *Business Ethics is a Form of Applied Ethics*. The issue of business ethics covers a wide range of topics- namely systematic, corporate and individual. Philosopher Searle (1995) recognised three primitive elements- collective intentionality, the assignment and constitutive rules that combine to make a 'status function'. A company exists only when there exists a qualified of group of individuals who have agreed and who convey out their assigned duties within the scope of their assigned authority. Consequently, a MNC maintaining manufacturing, marketing, service and administrative operations in a large number of countries, have many stakeholders. It is highly ethical that a MNC should be governed, keeping in mind the interest of different shareholders. Corporate Governance (CG) is the acceptance by the management of the inalienable rights of the shareholders of the company and the role of the management as the trustee on behalf of the different stakeholders. The overall aim of CG is to protect the stakeholders and enhance the value of their investments in the company. The Securities and Exchange Board of India (SEBI) has issued several legislations in this regard and corporate entities have to adhere to a transparent disclosure to protect the interests of their investors. The compliance to the CG norms by Indian MNCs is a vital ethical point in the current corporate climate. New age corporate leaders are replacing the business philosophy of 'maximization of profits' with 'optimization of profits' by shifting their business focus from 'accountability to shareholders' to 'accountability to stakeholders'. Infact, the recently promulgated Companies Act, 2013 and its various rules stress on CG and Corporate Social Responsibility (CSR).¹⁰

Another *ethical* question is the proper development and regulation of the *Securities Market* and the *Commodities Market* and matters connected therewith and related thereto. With the smooth and transparent functioning of the market, the small traders and small investors can have faith in the stock exchanges and Indian MNCs will be able to enlarge

its shareholders base and create goodwill that will propel it forward. A vibrant stock exchange, where investors and traders can buy, sell and trade their investments free of any hindrances and malpractices will have a direct, positive influence on the future of Indian MNCs. But, in actual practice, exchange prices are often manipulated by greedy stock market players. Without a regulated, vibrant stock market, there will be less and less of investors who will put their faith in their investments in the stock exchanges and this will adversely affect the growth and development of Indian MNCs. Scams continue to haunt the markets and investors also. The Rs. 10,000 crores commodities scam, in the last decade, affected the commodities market adversely and about 250 small commodity traders across India have committed suicide after going bankrupt.

Those companies, which follow ethical principle, engage in *Philanthropy*, by spending a portion of their profit for charitable purposes and social activities. In this way, they repay a small portion of the social cost of the resources, which they consume. Also, philanthropy by a company enhances the corporate image in a positive manner. Two leading examples of Indian philanthropy can be of Infosys and Wipro. Wipro, one of the leading Indian MNCs to emerge in recent times, was founded on the vision of Mr. Azim Premji. Besides being the second richest Indian, the Wipro Chairman has also carved a reputation for himself as one of the greatest Indian philanthropers of his time. Mr. Azim Premji created the Azim Premji Foundation (APF), which started work in 2000 when Mr. Azim Premji transferred 2,68,000 shares to the Foundation. Mrs. Rohini Nilekani, wife of Mr. Nandan Nilekani, the then CEO of Infosys, had signed two of the biggest individual cheques ever written in history of Indian philanthropy in 2005. Ultimately business ethics help in the long-term perspective of a company by improving its corporate image and brand equity.

Conclusions

'Globalizing Indian companies essentially have two options. One is to sit back and wait for the tightening of regulatory and societal screws on them, forcing them into ethical behaviour in a reactive mode. The other approach is for them to proactively herald the new era of business ethics by becoming torch bearers of the new order of things. It is in the organization's selfinterest to take a proactive posture on the ethics issue, and be well-prepared for the shape of things to come. We also show how this can be done and what challenges must be addressed for success on this journey.'¹¹

It can be summarized that on all aspects of leadership, quality, corporate governance, ethical practices and philanthropy, India and Indian MNCs have achieved much but has yet a long, long way to go before it can catch up with international practices and standards. The fact that the Indian industry has been performing well and has been contributing to the Indian economy is borne out by the fact that India is the sixth largest manufacturer in the world.¹² It is like coming back to the same point in the big cycle of time, when companies that started their business

operations in India way back in time like Dupont, HSBC Bank, Ericson, Rolls Royce, Phillips, to name a few, make a beeline back to India to renew their Indian connections. But being the fourth largest country in the world, India is blessed with huge human resources which can only be fruitfully utilized with the sustainable development of Indian MNCs along the pathway of business quality and business ethics. A National Benchmarking Centre (NBC) should be set up under the aegis of the Central Government to address the gap between Indian and global benchmarks and standards. The Securities Exchange Board of India (SEBI) should be provided better infrastructure and software like the Securities and Exchange Commission and the London Stock Exchange which uses highly advanced software called Electronic Gathering, Analysis and Retrieval System. India needs to urgently put into place a social security umbrella for the large casual work force that works in Indian Industries.

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