

Corporate Ethics and Social Responsibility in Current Scenario

Abstract

One of the most dangerous threats to any organization is misconduct within its own walls. We come across so many corporates and business establishments which are fatally wounded by their own officers. Lack of attention to ethics can be a corporation's Achilles' heel, with the potential for a single employee to bring down even large well-established companies. Adding to the hazard, advanced technology gives individuals more power, raises the chances and speeds up the action.

The enterprise is an organ of society and its action have a decisive impact on the social scene. It is thus important for management to realize that it must consider the impact of every business policy and business actions upon society. It has to consider whether the action is likely to promote the public good to advance the basic belief of society, to contribute to its stability strength and harmony.

Keywords: Ethics, Corporate Ethics, Transparency, Accountability.

Introduction

Business is an interdependent, intertwined and a symbiotic relation. Life, labor and business are its elements. These should not be viewed as separate games played with different rules. The enterprise of business is not different from the enterprise of life, because both share the same bottom-line - the people. It is a common notion that business is business and the rules and stakes involved in the business are totally distinct, from the principles of ethics. Ethics is something we preach and we follow at home in our private domain but not in the public or at work. This destructive dualism separates our lives from our livelihood our personal values from our work values and our personal needs from social needs. Money forms the sole reason for work and success an excuse, to justify the immoral consequences of one's behavior.

However, when issues like Enron, WorldCom and Union Carbide hit the headlines, it is difficult to ignore the ethical issues that are to be incorporated in business. As consumers are well informed on ethical issues these days, the corporates have to respond to their concerns, be it related to the issues of environment or health or any other Business ethics thus stresses on applying in the workplace those commonsensical rules and those ethical standards learned at home. Moral issues facing a person are age-old, but these are absolutely the same issues facing a business.

The objective of all business and work is to make life more stable more secure and more equitable. No business can assume itself as an isolated entity unaffected by the calls and demands of individuals and society. Henry Ford once declared that "for a long time people believed that the only purpose of an industry is to make a profit. They are wrong. Its purpose to serve the general welfare." The business houses have practically proliferated beyond imagination, in the past two decades. Each company has its own conventional techniques and practices. They all have a common goal of expanding comprehensively. But at the present day set-up, they should also have a common goal of "ethics and moral values". There should be enough pressure given to the ethical practices and human values in the corporate sectors. Hence a proper policy of conduct should be constructed within the organization.

Ethics is a body of principles or standards of human conduct that governs and regulates the behavior of individuals and groups. Ethics do not arise from man's creation, but from the very human nature in itself, making it a natural body of the laws from which man's laws follows principles of ethical reasoning no doubt, are useful instruments for identifying and sorting out, the good and bad components within a complex behavior and interactions.



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Aim of the Study

This paper discusses in detail about, how corporate ethics which is an amalgamation of transparency, accountability, and honesty, promotes and inspires a competitive advantage in a burgeoning market place and companies can accelerate their profit making process.

Review of Literature

Business for Social Responsibility (2001) speaks of CSR in the following terms: "Socially responsible business practices strengthen corporate accountability, respecting ethical values in the interest of all stakeholders. Responsible business practices respect and preserve the natural environment. Helping to improve the quality and opportunities of life, they empower people and invest in communities where a business operates." Currently, European companies seem to be adopting offices of corporate environment and social responsibility more often than U.S. companies. It should be noted that some organizations believe that corporate responsibility encompasses all responsibilities that a company has to take care of its stakeholders, which includes ethical, social and environmental responsibilities and business ethics.

According to Peter Drucker (1990), today corporate have to balance their responsibilities to the society in which they function with meeting the ever-increasing demands to be competitive in a global economy. This is very much essential because it is a business strategy needed for survival in global markets. Today; business is expected to not only a profit but also a difference in the workplace, market, and the community. A code of ethics is a formal document that states an organization's primary values and the ethical rules it expects employees to follow. It has been suggested that codes should be specific enough to give employees the spirit in which they are supposed to do things, yet loose enough to allow for freedom of judgment.

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According to Peter Drucker (2018), today corporate have to balance their responsibilities to the society in which they function with meeting the ever-increasing demands to be competitive in a global economy. This is very much essential because it is a business strategy needed for survival in global markets. Today; business is expected to not only a profit but also a difference in the workplace, market, and the community. A code of ethics stating an organization's primary values and the ethical rules are expected to follow by employees & management as well to give the spirit they are supposed to do things, yet loose enough to allow for freedom of judgment.

What is Corporate Ethics?

Organizational ethics has gained more distinction in the corporate culture of today. For all the enlightened organizations now, commercial success means, much more than a profit margin – it is the image of the company, the good-will it produces in the market. High ethical standards are now stamped as an asset of a company and unethical dealings as its liability. Ethics applied to business firms is thus a study of good and evil, right and wrong, just and unjust behavior and actions of businessmen. Corporate ethics thus rooted on the do's and don'ts for business, pitches on not violating any law, avoiding unethical practices, contributing for charitable purposes, participating in the development projects in backward areas, paternalism towards employees and good public relations.

Ethical based Business generally focus on broad principles of responsibility and fairness and focuses on internal stakeholder issues such as product quality, customer satisfaction, employee wages and benefits, and local community and environmental responsibilities and such other issues that a company can actually influence.

Companies like Enron or World Com used financial gimmicks to inflate their cash flow and profits in order to jack up their share prices and thus accumulate wealth. The investors are confronted with large well-known companies, disappearing almost overnight. In this process, not only a small investor but also supposedly smart sophisticated investors have been fooled as well. Enron did not just dupe its customer's workers shareholders and capitalists. A lot of public sector money of India is also lost in the Enron mess. Over Rs 6,000 crores of Indian public funds from SBI, IFCI, IDBI etc. which were got invested by the governments in Enron Dabhol power company have gone down the drain.

Thousands of financial professionals commit fraud annually many of them unwittingly Hundreds of them go to prison. Mere charges or suspicion of fraud can ruin a corporation's reputation.

Accountability of the Board

Directors are essentially custodians' of shareholders assets. And expected to have the same anxious vigilance with which the partners in a private coparcenary frequently watch over their own due to following reasons-

The board is ultimately accountable for corruption or impropriety in a company. Many directors have been asked to quit as a result of staff indiscretions. Some have been fined or imprisoned for their involvement in approving policies that encouraged misconduct.

Generally, staffs know more than auditors about what is really going on. Yet most corporate whistleblowers are given little or no protection if they choose to challenge dishonest management. For this and other good reasons, it's unlikely that a staff member would ever approach the board directly with an ethical concern about senior management, compromising the board's ability to supervise management.

The management people complain that they are prevented from managing ethics because of other business pressures.

As a custodian of the company's interests. The board should insist upon the institution of the code of conduct designed to reduce unethical risks and nip problems in the bud

Ethical Management: A must in the Present-Day Scenario

Corporate social responsibility (CSR) is fundamentally an ethical concept. It involves changing notions of human welfare and emphasizes a concern about the social dimensions of business activity that have a direct concern with the quality of life in society. The concept provides a way for the business to concern itself with social dimensions and pay some attention to its social impacts. For instance, if a company executive assures the board that the firm's business is conducted "with the highest standard of uprightness. The statement can never be taken as it is. Though an executive of the company may be an authentic person his words cannot be accepted at face value. The matter has to be seen below the surface to test its transparency. It is the responsibility of the board to check its strength and reliability.

A board with its earnest constituents do check the dependability of the oral assurances in a meaningful way without looking suspicious, or meddling in the day-to-day affairs of the business. There are various mechanisms such as internal external auditors, risk management committees, and so on. Each has its benefits and inadequacies.

For the individual board member, it's a question of tactful assertiveness. As with other topics at the board table, directors should start by asking a few open-ended questions and continue asking until they are satisfied with the answers. With regard to ethics management the following therapies may be administered.

Personal Accountability for Managing Ethics in The Company

When it is asked who is to be blamed for the unethical behavior of the company the answer "everyone." while literally true, is not satisfactory. Unless the company is one of the few with a designated ethics officer, the accountability for managing ethics can bounce back and forth across disciplines and up and down.

The current system should be well equipped to foster and monitor the ethical behavior and the effectiveness should be ensured. Proper documentation should be there to back up the implementation. Larger, more sophisticated firms appoint Ethics Officers. It helps to have a central focus on ethics that is clearly accountable and well known in the organization. The employees must be capable of recognizing ethical issues as they crop up. An ethical problem can't be resolved unless it's first acknowledged as a tight spot. Ethical issues can develop slowly like a thin layer which we pass by so quickly without noticing but they are only seen in deep observation. Proper guidance must be made available by the company for employees who face ethical dilemmas. Therefore people need help in

understanding the company's moral expectations. There needs to be a code of ethics, Training, and Ethics advisory service.

Opportunity to discuss Ethical Issues of Concern

Boards need to be satisfied that an effective reporting mechanism should be in place to hold management and staff accountable and bring unlawful activity to light before too much damage is done. Appropriate policies and systems must subsist in the company to protect the persons, reporting about the unethical practices to the management. The company should have an Ombudsman, an Ethics Officer. Human Resource departments cannot be considered to be strong and the policies designed also cannot bring in ethics in the organizations. The core principle is that the policies should be less subject to hierarchical influence.

An over prominence on immediate gains can tumble down the organization sending a strongly implied message to staff that cutting corners and generating cash flow surpass all other objectives, including personal integrity..

It should be seriously reviewed as to the turnout of someone in the firm who stands up for ethical principles against the pressure of other business objectives. The question that whether they are punished or praised is a major cause for concern.

Conclusion

It is comforting but dangerous to assume that there are adequate internal mechanisms to avert detect and report unethical conduct, or that moral assertions from the executive team need not be challenged.

To be positive, corporate directors need to minimize a company's ethical liabilities and maximize its ethical assets by:

1. Recognizing the company's need to manage corporate ethics and the dangers of taking it for granted.
2. Supporting management to prevent or protect against unethical activities.
3. Developing strategies to raise the ethical standard in the organization and build trust as a competitive advantage

Thus to make ethics work, a synergy between vision statement, mission statement, core values, general business principles and code of conduct is to be done. By making business ethics its unique selling proposition, a company can accelerate its profit earning process. If the stakeholders believe that the entire business is transparent, accountable for its actions and honest in its dealings, it would undoubtedly guarantee a sure and a steady success for the companies.

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