

Role of Business Ethics in Better Governance: A Quantitative Study of Executive's Opinions

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Abstract: The important attributes that make Business ethics crucial stands on strong pillars namely, Rule of Law, Competence and Capacity, openness to change, transparency and accountability and most importantly Human Rights and Ethical conduct. In this paper all the important attributes of business ethics are considered which are helpful for the better Governance. This responsibility lies not only with the CEO or owner of the business or company but with each and every employee or worker working in the organization regardless of his or her post and designation. This paper will highlight the important business ethics and its implementation throughout the working of the business. This paper will also emphasize how the ethical code of conduct will help in the better governance of the business. This paper will also stress on the point that business ethics though are not legal obligation but they are as important as any other legal law. The sample size of the study was 193 respondents. The data analysis was performed with the help of t-test and mean.

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Introduction

The term Good Governance comprises of many attributes. It is made up of Transparency, Ethical code of conduct, Rule of law, Responsive, Effectiveness and Efficiency, Accountability, Competence and Capacity etc. When all these terms are taken together and processed together, it will ultimately result in the development and progress of the organization. Though the term seems political but it has an economic impact on the organization. The strong pillar on which the Good Governance stands is Ethics. The term Ethics is a combination of Values, Virtues, Good behavior, Morality and Principles.

Corporate governance now has become one of the crucial aspects in business world. As the organizational frauds are increasing day by day, it is very important to take into consideration the importance of good governance and ethical code of conduct. The major problem is, for implementing the process of good and corporate governance, set of rules and laws are made so that no organization or person can misbehave (Veeramani and Ngulai Rong, 2017).

It is very imperative to implement good governance because it will not only bring more investment to the organization but also result in more efficiency and better result in long run. In some countries, it very difficult to establish good governance and code of conduct. The reason behind this is ineffective and imperfect execution of legal framework for business organization. It is very important for the businesses to properly implement the legislations under Companies Act, 2013 and other conventions introduced by SEBI. Many foreign companies, interested in investing in India are also demanding the proper and effective

implementation of corporate governance. It must be noted that many developing countries are not interested or willing to spend more on corporate governance. For the convenient establishment of corporate governance, there is a need of sense of ethical code in everyone (Akman, (2011) and Arjoon, (2005)).

Ethics in the business and corporate world is very important because no person or organization wants to be stuck in indictment or legal dispute. As the organizations are more concerned about the reputation, they are more focusing on the ethical behavior of the owner or designated person towards the society and employees. The behavior is not limited to a person, it has now reached the environment and towards the climate. Many a times it becomes very difficult to communicate the ethical values from one person to another. It is very important that ethical values should be communicated to every person in the organization because it will promote profitability in long run, it will ease the decision making process, it will trigger the sense of responsibility and accountability among the employees and ultimately it will help in the creation of ethical business environment. There are many ethical responsibilities that every organization needs to fulfill. One such responsibility is Culture. Though it is a personal concept but it has an overall impact on the ethical business of the organization. Regional activity of an organization is another concept that every business must follow as an ethical value. This activity can impact the functioning of the business in a particular area. As for the businesses their reputation is very significant and influential therefore they are more focusing on ethical branding of the organization. In this regard the corporate organizations are becoming socially more responsible, participating in social programs and conducting activities that are beneficial for the society. This activity of benefitting the society has coined a new term called Corporate Social Responsibility. Though this activity is not financially constructive for the business but it is equally important for the reputation of the business in the same way the profits and gains are (Mehrdad, Mojtaba and Aghaei, 2012).

Literature of Review

Business ethics are one of the neglected values while they are the most essential elements for running a business. For a healthy competition, ethical values have to be embedded in every business regardless of size and expansion. This will conclusively result in increase in trust, belief and feasibility of the business. Considering the term 'ethical values of business', it can be defined as the behavior, code of conduct, actions and nature of businessman, managers and entrepreneurs. In simple language it is an action of good or bad attitude towards a person, environment, employee, worker or society. It is a business practice that one needs to fulfill for the betterment of business and individual in particular. Together with business ethics a business can enjoy several edges and leverages in materialistic and non-materialistic form. If a company fails to implement the ethical values and gain profits through unethical means then the company fails to generate earnings in long term (Aguilera, and Cuervo-Cazurra, 2009)

In a study it was found that there is a demarcating line of difference between legal code of conduct and ethical code of conduct. While considering legal code of conduct they can be termed as the set of rules that are obliged to be followed. While ethical codes are kind of

principles in a sense of responsibility. Legal codes are implemented to prevent the illegal or illegitimate affairs while ethical codes are responsibility in self. They are mostly concerned with the sets of rules and regulations that have to be followed while ethical codes are behavior or business routine in leadership and decision making. The managerial desk of any business needs to understand that it is as important to abide by the ethical codes as it is important to follow the legal codes. The good point here is today's administrative environment provides ample of opportunities to go beyond the legalities and establish the proper ethical code in the business. By understanding the basic difference between the legal and ethical code any business can promote excellence in every field (Arjoon, 2005)

Decision making is one of the attributes that comes with the business ethics. The decision making process is a very important responsibility that a CEO, or managerial desk holds with self. It might be debatable that the decision making is not an ethical value rather it is a legal duty but it should be noted that the business ethics are linked with the cardinal virtues and all virtues must be inherited within the person who is responsible for making decisions. In a study it was concluded that competence is one of the virtue top management must have. The competence virtue will decide the outcome of the decision made by the top person. While taking in view the corporate governance, competence is evaluated as an important aspect in a person because it will directly conclude the right selection. It was also proved that decision making is associated with another virtue called Justice. In a business world, sometimes it is very difficult to pass a fair judgment. Many a times it might be irrelevant to make any judgment but it very important for a top manager to make a right judgment so that his image and reputation is not harmed. It should be noted that justice is directly connected to decision making process of corporate governance (Anderson & Henehan, 2004).

Utilization of resources though seems impractical when business ethics are concerned but it is very important to highlight this point. For any business to work properly resources play an important role. The responsibility lies with the company or business about the utilization of these resources. Effective and efficient utilization of resources is crucial for everyone. The process of utilization of resources will decide whether the interest of society, environment, people or members of the company is actually fulfilled or not. The business owners needs to ensure the efficient utilization of resources because if it is discovered that resources are not utilized in full capacity, effectively and efficiently then it will harm the image the organization and people will lose confidence in the company. In a study it was also found that fulfilling the interest of members is another trait of business ethics. It is moral duty of business houses that the interest of the people working the organization is met. The reason is no employee or worker will leave the organization if his or her interests are fulfilled by the company and second point is directly shows the ethical values of the business (Dayanand, 2003).

Business ethics has to practice at personal and managerial level. There should be a clear understanding of central values to each and every individual. For a corporate house there are few points to be remembered to have a basic understanding of business ethics. One such ethic is to block any kind of harm to society. In order to accomplish the economic and financial goals of the company the owner or managers must not forget the basic business ethics. It is

also very important for the owner or businessman to protect their company from unfair, unprofessional or unethical employees. Such kind of people will not only hurt the sentiments of other employees but they will also harm the reputation of the company (Ramachandran, 2007).

Ethical behaviors in an organization are not any legal obligations rather they are simpler than following any rules and regulations. To ensure the overall implication of ethical behavior in an organization, the process needs to be start from the top level. The behavior of top leaders and managers will only ensure the establishment of ethical code of conduct in the company. For making it happen the top leaders must respect every single person working in the organization. In a study it was found that respect was responsible for more productivity, and loyalty among the employees (Anderson and Orsagh, 2004).

In a recent study it was concluded that ethical behavior have various advantages for a business. One advantage is business ethics helps in the betterment of the society. By organizing business ethics programs executives can educate many people at a same time regarding the ethical code of conduct in an organization. This will help unethical employees to change their behavior towards the organization and other employees. Top leaders can emphasize on organizational ethical values and help other employees in identifying the difference between business ethics or organizational ethics and individual ethics. Ethical values will help in reducing the crimes or illegal activities committed by top leaders, employees or workers in the organization. To initiate ethical values in every individual of an organization, the top leaders must first make a set of values, construct the rules and regulations and then educate each person by conducting educational programs (Mohanty and Sushi, 2017).

In contemporary research it was also found that some businesses fail to identify the unethical behavior or conduct while many organizations have developed a set of rule that everyone must follow to avoid the unethical behavior in the organization. Some of them are maintain disciplinary conduct, strict dress code, punctuality, abide by the rules and directions given by the top managers, and maintain good behavior with other employees and no use of abusive or improper words (Chang, 2011).

One problem every country faces and which is considered more than just unethical behavior is discrimination on workplace based on gender, religion, caste or creed. Several steps have been taken in this regard to protect individual from any kind of discrimination but the problem still persist. Apart from this sexual harassment is a burning issue that has to be address. Taking this issue, Supreme Court of India identified sexual harassment as contravention of human rights. In many industrialized countries discrimination on the basis of gender is illegal. For some organizations this might not be unethical to offer bigger pay or compensation for same work just because the individual is male but it is unethical practice and illegal action at the same time (Dandino, 2004).

The ethical code of conduct of business lies with the shareholders, consumers, employee, worker, society, environment and every individual or thing from where the business is

receiving or giving service. Though the aim of every business is to earn more profits, it is also very important for the business to complete the process within the limits of ethical values. It is not only the duty of an organization but an obligation to create wealth for its shareholders, manufacture quality of goods for its consumer, and create better job opportunities for its employees and workers and do not harm the environment for the sake of the business. To perform these ethical values one must learn about them. There are many ethical issues persist in an organization at various level like difference in employee and employer relation, difference in company and consumer, differences in company and government etc. All these issues have to be identified and addressed as soon as possible for the proper and efficient implementation of ethical values (Akman, 2011).

Objectives

1. To identify the role played by Business ethics.
2. To ascertain how Business ethics are helpful for better governance of business.

Methodology

Nature of study is empirical. 193 participants were included in study. Questionnaire was structured in nature to collect data. To ascertain result of Mean and t-test applied. Method of sampling was convenience sampling.

Demographic Result

Table 1 displays gender of participants, male are 53.37%, and female are 46.63%. Age of participants is, 26 to 28 years are 32.64%, 28 to 32 years are 25.39%, and Above 32 years are 41.97%. With regards to Industry type, Apparel / Clothing is 17.10%, Food / Grocery is 27.46%, Home Decor / Electronics is 24.35%, and other is 31.09%. Looking at Business size, small scale businesses are 27.46%, middle scale businesses are 34.71%, and large scale businesses are 37.83%.

Table1. Demographic Details of participants

Variable	No. of participants	%
Gender		
Males	103	53.37%
Females	90	46.63%
Total	193	100 %
Age		
26- 28 years	63	32.64%

28 – 32 years	49	25.39%
Above 32 years	81	41.97%
Total	193	100 %
Industry Type		
Apparel / Clothing	33	17.10%
Food / Grocery	53	27.46%
Home Decor / Electronics	47	24.35%
Others	60	31.09%
Total	193	100 %
Business Size		
Small Scale Business	53	27.46%
Medium Scale Business	67	34.71%
Large Scale Business	73	37.83%
Total	193	100 %

Table2. Role of Business Ethics in better Governance of business

Sr. No.	Statement of Survey	Mean Values	T-Values	Significance.
1.	Although Ethical values are not obligatory, but must be performed as fundamental duties for better governance of business	4.22	17.247	0.000
2.	Collaborating ethical values with legal framework is essential for effective and smooth functioning and good governance of business in the long run	4.12	15.934	0.000
3.	The aim of every business is to earn profit, but it is essential to complete all processes within limits of ethical values	4.30	18.789	0.000
4.	For accomplishment of business economic and financial goals and for its better governance the owners and managers must follow business ethics	4.10	15.577	0.000

5.	Any company failing to implement ethical values, and earning profits through unethical means would fail in the long run	4.00	14.394	0.000
6.	It is important to communicate ethical values to every person in the company for better governance of company and to increase company's profitability	4.07	15.142	0.000
7.	Following ethical values help in bringing more investments from investors resulting in efficiency and high profits	4.02	14.571	0.000
8.	Ethical code of conduct is vital for good governance of business and to control organizational frauds	3.13	1.865	0.032
9.	Ethical values must be rooted in every organization regardless of its size and expansion for healthy competition	3.12	1.701	0.045
10.	Reputation of business is very importance that can be earned by good governance and ethical values	4.17	16.876	0.000

Table 2 shows mean values of the “Role of Business Ethics in better Governance of business” the first statements of T-test is about ethical values not being obligatory, Although Ethical values are not obligatory, but must be performed as fundamental duties for better governance of business (mean value 4.22), next statement talks about ethical values being collaborating with legal framework, Collaborating ethical values with legal framework is essential for effective and smooth functioning and good governance of business in the long run (mean value 4.12), The aim of every business is to earn profit, but it is essential to complete all processes within limits of ethical values (mean value 4.30), For accomplishment of business economic and financial goals and for its better governance the owners and managers must follow business ethics (mean value 4.10), Any company failing to implement ethical values, and earning profits through unethical means would fail in the long run (mean value 4.00).It is important to communicate ethical values to every person in the company for better governance of company and to increase company's profitability (mean value 4.07), Following ethical values help in bringing more investments from investors resulting in efficiency and high profits (mean value 4.02), Ethical code of conduct is vital for good governance of business and to control organizational frauds (mean value 3.13), Ethical values must be rooted in every organization regardless of its size and expansion for healthy competition (mean value 3.12), Reputation of business is very importance that can be earned by good governance and ethical values (mean value 4.17).T-value of survey statements with regards to Role of Business Ethics in better Governance of business are significant as t-value of statement is positively significant as the value is less than 0.05.

Conclusion

Collaboration of ethical values with legal framework is very important for the efficient functioning and smooth running of the business. Ethical values are important to cutoff the fraudulent practices and promote proper decision making. It is also important for the reputation and prestige of the business. Business ethics are not only be performed by the top leaders or managers of the company but they has to be practiced by each and every individual working in the organization. For the effective implementation of ethical values in a business, legitimate framework should be constructed, indicating the set of rules and regulations in the framework, every individual must be educated regarding the ethical values of the business. Though the ethical values are not legally obligatory, but they are kind of fundamental duties one has to exercise. It will reflect the behavior of individual and reputation of an organization. This might be impractical but proven fact that ethical values are beneficial for the organization in long term. T-value of every statement in the context of Role of Business Ethics in better Governance of business is significant because t-value statements are found to be positive and significance value also less than 0.05.

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