

DILEMMA: ETHICS AND BUSINESS SUCCESS BUSINESS: PLANET, PEOPLE, PROFIT

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Abstract: The notion of ethical behaviour and corporate social responsibility (CSR) is not new in both developed and developing countries and day by day its decisive role in determining the success or failure of a business is increasing because of growing sense of corporate wrong doing. These two concepts can bring significant advantages to a business. The idea that organization whether it's a profit making or Non-profit making enterprise, all have some responsibilities towards the society beyond that of building profits i.e. their main objective. The paper addresses the concepts of business ethics and its contribution in determining the futuristic position of organization, its success or failure. The paper talks about the dilemma between ethical practices and business success that has been around for centuries whether ethics and success can walk together, the linkage between ethics and success. From the perspectives of various studies conducted and theories developed in past, it came out that business ethics and corporate social responsibility are very important for organizational growth and success. Specifically, studies consider business ethics escorts to positive employee, customer, and inter-organization and community relations. Not only that but also, studies perceive that better public image/ eminence; goodwill, footing, better customer loyalty; strong and improved community relations can inure to the benefit of corporations that are socially responsible.

Keywords: Business ethics, Business growth, Corporate ethics, Corporate social responsibility.

1. INTRODUCTION

As we all know 21st century a globalised era is highly dominated by free market economies in emerging nations. Corporate/ business Ethics is much needed area to emphasise the importance of sustainability, social development, Investors, consumer satisfaction, service orientation etc. in place of profit orientation. Ethics basically points out what is good and bad, what is fair and unfair in business terms. What is respectable and what's not, so also what is right or wrong from the business prospective keeping the responsibility towards the society in mind along with earning profit which is the main motto of every business organization. Ethics brings it into notice to the business community the importance of honest commitments, reliability value and weight age of trust which makes organizations alert and socially conscious. This also establishes a better relation between organization and the society. Ethics reconciles the conflicting interest of various sections of the society such as employees/workers, shareholders, consumers, competitors, distributors, suppliers and government. In the final analysis, it concludes that the business ethics help the business and the society at large; organizations can't afford to neglect ethical and social responsibility for longer time. Following ethics offers healthy atmosphere for tomorrow in business and compromising with ethics can ruin the reputation of organization within few seconds, as the goal of every business owner is to dominate his market and stave off competition from his peers sometimes that makes them to do unethical practices.

II. IMPORTANCE OF THE STUDY

1. To study what Business Ethics are for an organization.
2. To study how and why Business Ethics impacts the growth of an organization.
3. To study how to create a well developed Ethical culture in the Organization.
4. To study Ethical behaviour that exists at different levels of the organization structure.

III. REVIEW OF LITRARTURE

Importance of ethical practices that must be followed by the business enterprises have been proven by many authors through their findings., Corporations Not taking care of ethics and social responsibility, finds themselves under public attack and criticism, responded by developing the notion of social responsibility. Shaw (2007) emphasizes that if people within business are to build their reputations on integrity and have a keen sensitivity to the ethical dimensions of their decisions, they must be guided by sound moral standards... Instead, most actions are the result of managers and employees following the norms of accepted behaviour in the companies in which they work. As Bangladesh is an economy in transition the evolutionary process of transforming its business ethical values, norms and moralities has greatly hampered its organizational development. Business organizations are not yet fully implementing international standards or codes of ethics. (Linda K. Trevino, 2010) Define ethics as the principles, norms and standards of conduct governing an individual or group. They also comment that two types of factors influence ethical behaviour: characteristics of the individual and the characteristics of the organization.

IV. RESEARCH METHDOLOGY

The present research paper is conceptualized and is based on case study analysis to find the impact of business or corporate ethics on organizations and their growth. The paper is based on secondary data collected from various resources and concepts developed by different-different studies. No primary data has been used in deriving the analysis of research paper; data used is qualitative in nature.

V. BUSINESS ETHICS

An Indian Perspective introduces ethical concepts that are relevant to resolving moral issues in business. As certain principles determine individual actions and behaviour same is in case of corporate houses as well.

Business ethics also known as corporate ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and as well as to the business organizations. In simple sense ethics in business is simply the application of everyday moral or ethical norms to business. Business ethics depicts one of the most important aspects of an organization. It examines the ethical principles that govern the organization, the tasks to be performed and the various ethical or moral problems that can arise while smoothly working. Business ethics guides daily, employees, and operations of any organization. A brief study and decent ethical conduct is relevant to the conduct of individuals and entire organizations. A bad reputation about unethical practices by a company may depict the company in a bad light to the public, and as a result, profits can be affected. In today's world, business ethics revolve around integrity, morality, duties, behaviour, employees and the society and other groups associated. Activities, plans and work practices embedded with ethical conducts, reflecting company's moral values helps the organization in creating and building a profitable future. Ethics in business is not only limited to a company or a country but is a globalized phenomena, varying from country to country, business to business, department to department and potentially is affected by many factors including the business culture, business regulation, legal position of country and human characteristics as well such as ethnicity, education level, cultural diversity, sexual characteristics, socio-cultural environment, political environment, personal standards and ethical codes etc.

Generally corporate ethics varies from business to business environments reason being having different-different issues and codes of conduct. That means issues in the Manufacturing companies (example) are not like those in other inches such as travelling, banking or the communication companies but ethics are there also. The range of corporate ethical issues are persistently on the hype, prompting organizations to invest more and more into research and work on ethical

practices with the aim of improving the existing knowledge on the subject. A lot of studies and real business world examples has shown that unethical practices harm the business organizations undoubtedly, but organizations don't acknowledge the impact of unethical practices that soon because these practices mostly consequences in long run and organizations are blindly figuring out all possible ways to raise profits. The root of any business enterprise depends on the code of conduct followed by management as well as its employees. The logic supporting corporate ethics as a good practice is that, ethical practices will create the proper climate which will aid to drive the development of ethical human resource practices and a big start to success of business.

Business ethics offer companies a competitive advantage over others. Consumers learn to trust ethical brands and remain loyal to them, even during difficult periods. Society benefits from ethical practices because ethical companies recognize their social responsibilities and contributes to the society. One of the foremost examples of not abiding with ethics and occurred consequences is of Nike Company. Nike company caught in some unethical practices like- child labour issues, health and safety hazards issues of workers, unfair or underpay wage system, bad working conditions, sexual harassment and child labour etc. all resulted into huge controversy about Nike and badly impacted its reputation and goodwill. All it lead to 27% drop in Nike market share, slow sales growth, boycott by consumers and what not. When Phil knight chairman of Nike and the rest of the top officials of Nike were given the 1997 reports regarding the violations of labour and human rights being committed in their Asian factories, it was very clear to the company that this negative controversy is harming them at a huge level and then the company realised they can't afford to continue to see its name dragged through the mud. To own the same public image, in May 1988, Nike announced a major initiative to eliminate the use of toxic to provide good health and working conditions along with fair wage pay system. The second initiative rose the minimum age of labour and in addition to it Nike announced an expansion of education program in factories as well as granting the workers to form independent labour unions to hone their rights. So , it clearly depicts the impact of ethical and unethical conduct and unethical conducts can lower down the potency of business firm.

BENEFITS THAT INCULCATING BUSINESS ETHICS ADDS TO A COMPANY:

Decently following ethical and moral practices in day to day business activities, attracts a lot of advantages to organization necessarily not in short run but in long run. Constantly following ethical norms and organizational values can be a strong preventive medicine for the company. Some of the advantages that business ethics can add to an organization-

1. Add to the reputation of the organization

Reputation i.e status is one of the biggest assets of a company and bringing it back once it is lost, is the most difficult mission to accomplish. Due to ethical behaviour a company can create a more positive image in the marketplace, than its competitors, which can fetch more new customers through word-of-mouth referrals than marketing or advertising strategies by the company. Word-of-mouth referrals is that factor of marketing that influence's more swiftly the reputation of an organization than the others, so goodwill, status and reputation of company is highly reliant on ethical and unethical practices of organization. Conversely, a reputation for unethical dealings or practices hurts the company's chances to acquire new customers & in retaining the existing customers, particularly in this era of social networking when dissatisfied customers can quickly disseminate information about the negative experience they had with the organization than the positive experiences they had.

2. Builds trust and positive work environment

Companies which are fair and open in their dealings or working with employees always have a better chance of retaining the most talented people with them, they enjoy high retention ratio even if the employees are paid just fair wage no extra dividends or bonus(Tata company is one such example). Sometimes employees not satisfied with compensation methodology are often not as dedicated to their jobs as they could be; this leads to negativity in work environment and low productivity among workers. Ethical employees are perceived as team players rather than as individuals just out for themselves, always initiates to create positive work environment and good relationship with higher authorities as well as co-workers.

3. Costs and risk Reduction

At times, in pursuit of profit, a company may try to temp some regulations, social responsibilities or cut corners such as not fully complying with environmental regulations or labour laws, ignoring worker safety precautions or using low

quality materials in their products or not paying fair wages or retaining profits everytime rather than distributing as dividend to investors etc. The penalties for being caught can be severe, including fines, civil charges or sanctions or legal fees by governmental agencies or tribunals. The resulting negative publicity can cause serious long-range damage to the reputation of company that's even more costly than the legal fees or fines, regaining of which is difficult to next level. Companies that maintain the highest ethical standards take the time to train every member of the organization about the conduct that is expected of them and enjoys the positive results.

4. Crucial to survival of business-Long term growth

Success of a business can't be determined just based on profit it earns or the position of its balance sheet or what its profit & loss statement is depicting. Positive image in society, good public relations, goodwill, high retention ratio, positive reviews by public are also some of the key factors that determines and plays a very crucial role in heading towards success. And all this can be achieved and maintained only if organization takes care of its practices, values and code of conduct etc. When ethical practices/guidelines are followed by organizations, a mutual trust is developed between the employees and management, as well as the public and the enterprise.

5. Retains talent, Investors loyalty and Customer satisfaction

It's a well-known fact people aspires to being associated with an organization that have high ethical values. Companies can attract the best talent and an ethical company that is dedicated to taking care of its employees will be rewarded with employees being enthusiastic enough to work with the c-company. Same as, employee's investors are concerned with the company in which they are making investments so equally they are concerned with the ethical, unethical practices of companies. Talking about customer satisfaction, it's a vital factor in successful business strategy. Mutual respect is very important and to build a strong competitive position, adoption of ethical practices is not a choice but a necessity.

VI. EFFECTS OF A LACK OF ETHICS ON A BUSINESS ENVIRONMENT

“(Stacy, 2018)In an industry where getting ahead and making money appear to take precedence over ethical decision making, it can seem difficult to understand the importance obehaviour in business. A lack of ethics leads to a wealth of problems for a business”.

1. Legal Issues

Governments establish rules and procedures for how a business should be run through various acts, bills laws and regulations. Businesses that fail to follow legal guidelines often face legal issues in form of large fines and other penalties and sometimes even expelled from continuing business. Sometimes companies think that breaking laws or not following certain law and paying the penalties involves lower costs than the financial gain made from breaking those laws. However, consistently disobeying laws can lead to costly legal battles or issues that outweigh the initial gain company earned along with legal penalties; company suffers from negative publicity and trust issues. Additionally, management involved in unethical practices and in breaking laws or engaged in unethical behaviour that leads to harmful practices could find them facing criminal charges.

2. Employee Performance

“(Stacy, 2018)Ethical behaviour of a company is positively related with the performance of its employees. A lack of ethics has a negative effect on employee performance and vice versa. In some cases, even the employees are so concerned or greed of getting ahead and blind in fulfilling self- interest either its making money or anything else, that they ignore procedures and protocol. This can lead to careless errors and ineffectiveness in work that result in the task having to be completed according to own interest not of company. Additionally, employees who feel acting ethically and following the rules will not get them ahead in the business sometimes feel a lack of motivation, which often leads to a decrease in performance.”

3. Employee Relations

To achieve the balanced growth rate of the form managers and owner goals should be in same direction. But when a management of a business betray a lack of ethical behaviour or an action which falls outside what is considered morally right or proper for an organization or industry, company faces negative review issues and confidence issues of employees.

It is difficult to have a successful business without well-respected leader reason being company's managers are not just managers of the company, but they are representing the whole organization. " (Stacy, 2018)A lack of ethical behaviour cause inter-company issues, with employees as well as higher authorities resenting those who do not play by the rules and still manage to get ahead. Unethical behaviour in the workplace also has the potential to lead to a lack of trust among employees, which is detrimental to a business that relies on collaboration, coordination, cooperation and a sense of community."

4. Company Credibility

Maintaining the reputation of a company is not any easy task to. If a lack of ethics in a business becomes public knowledge, that business loses all its credibility and becomes a victim of negative publicity. Regaining the same public image, goodwill or market share is not an easy task once it's lost and a company can't afford to lose its key customer base. Even if a business recovers back its image from news about its lack of ethics, it takes a lot of time and money to restore its image and consumer confidence.

VII. CREATE ETHICAL CULTURE IN THE ORGANIZATION

All the companies must take few steps to establish an ethical work environment in their organization. Given below are some of the tasks company can opt to create an ethical culture in the organization-

1. Define company ethics or code of conduct

Every company has oral and written rules about how to act within the company environment. The company should give lucid explanations about what is okay and what is not okay in the organization, what and how to do and what not. This may include behaviour towards other employees or co-workers, customers, and the public. These guidelines necessarily need not to be same generally these guidelines differ from company to companies.

2. Ensure company has necessary tools

It is the duty as well as the responsibility of the Human resource department to ensure that the employees of the organization are equipped with adequate tools which enable them to behave ethically in the organization.

3. Strengthen the Behaviour You Want

Strengthening the behaviour in an employee is an easy task and can be achieved by offering rewards and recognition is one of the best ways for the work done and efforts made as well as for the ethical behaviour to encourage the ethical practices in employees. To create a strong ethical culture or to strengthen the existing ethical culture in an organization, there must be a constant communication about ethical values among the members. Also, the company can specifically explain about the behaviours, they don't want to inculcate.

4. Focus on building skills

Organization should hold workshops which can improve the ethical culture in the company. One of the foremost tasks of the organization is to build and develop ethical skills among the members rather than just stating the expected behaviours which company encourage and behaviours which company do not. This should also develop ethical behaviour and problem-solving skills in an employee.

5. Do a quick "ethics check" when necessary. If the management is not sure whether a decision or action would be ethical, or not. In such case management should try to figure out answer of these questions and should act accordingly –

- Is it lawful or would the company be violating federal, state or municipal law?
- Is the concerned practice being in accordance with company policy?
- Is it fair keeping in mind the interest of various groups? Would anyone lose out?
- Would the company be proud of this action and what message would public is going to have about the company?
- How would our customers react? Firm could face negative controversy because of this action or behaviour? Would customer be more inclined to trust us, or feel cheated or betrayed?

Preventing Unethical Behaviour

Often a lack of ethics appears because of poor planning, illegal activities, no knowledge of rules and regulations and faults elsewhere in the business. To prevent the unethical behaviour, management must set realistic goals for employees. If employees are expected to meet unrealistic quotas and goals, they could engage themselves in unethical behaviour or activities to reach those goals. Management must consistently monitor employee performance. Employees left unmonitored sometimes slack in their performance so proper communication about the ethical and unethical behaviour is must. Untrained and uninformed employees often cut corners and make excuses for not completing work up to the standards the business requires.

VIII. SCOPE OF BUSINESS ETHICS

Business or corporate ethics covers each activity of business. All ethical issues in business can be classified into four major categories as follows –

1) Societal Level: At this level, ethical questions are raised about the overall working of the business system and its relevance to society. The questions asked may be: Should business assume social responsibility? Societal pressure to adopt ethical practices is always there in a business for example consumer forums, trade unions, shareholders associations, and other social activist groups are exerting considerable pressure on business firms to abandon unethical practices. Societal pressure makes organizations realise their duties and responsibilities towards the society, so they must discharge their social obligations and adhering to social values is something that can't be taken for granted.

2) Stakeholders/Investors level: Stakeholders in a business firm includes its shareholders, creditors, suppliers, employees, customers, government, etc. At this level, the main question arises how should business deal with its stakeholders? For example, should it keep its shareholders informed of the true financial position of company, whatever the true position of enterprise?

3) Internal Policy level: This level is concerned with employer-employee relationship basically. It is concerned with rights of employees, worker's participation in management, employee welfare, suitable working conditions, fair wage system, work rules, leadership styles, etc. Internal working of an organization is involved and discussed under this level.

4) Personal Level: At this level ethics is concerned with how an individual should behave with other individual in the organization despite their positions, background, language, culture, etc. Ethics to be followed in day to day life in a business organization is dealer in at this level.

IX. IMPACT OF UNETHICAL PRACTICES: A CASE STUDY OF TOYOTA

An outline of the case study -

Toyota, a car manufacturing company known for its high quality, performance excellence, manufacturing, design excellence, reliability and greater customer focus and trust built itself as a world class corporate brand reputation but in year 2009-2010, it faced a major threat and most media capture due to quality issues , recalls and technical deficiencies and fake commitments. Toyota's positive attitude, work and quality excellence, customer focus brought many advantages to company in the form of financial strength, greater customer loyalty, increased market share, positive employees performance and relations , better public image and what not until bubble of it's quality issues, ignorance of required acceleration controls just to make more profits with minizing cost.

The serious pace of Toyota's case grabbed public attention in late January and early February reason being additional 2.3 billion vehicle's were recalled for sticking acceleration pedals and sudden shutting down of plants , suspension of sale of eight models with immediate effect.

(Ehtesham, 2016)On January 26, 2010, the Toyota Company suspended the sale of eight models and officially announced that beginning the following week it would temporarily shut down its five North American assembly plants. The company tried to hide the real reason behind shutting down the manufacturing plants, company did not make public that it took these steps at the direction of the federal government. But the next day, Department of Transportation secretary Ray

LaHood effectively called representative of Toyota on the carpet and made it public that government has directed Toyota to suspend its operations. Hearings were done and Toyota was held liable for the consequences and penalized for strictly not following the required acceleration and quality controls. On February 5, Toyota president Akio Toyoda finally appeared at a press conference, facing the media; he apologized and announced a task force involving outside experts. But by now—after multiple explanations and due to hiding from public, playing with trust issues huge damage had been done. Temporarily shutting down coasted \$54 million a day, monthly car sales dropped below 100,000 for the first time in more than a decade and Toyota's U.S. market share fell to its lowest level since January 2006 as well as the company's stock dropped 16 percent, 8, 7% in February compared to sale of same months of 2009 and lost 11.6% market share in February. Consumer Reports removed its "buy recommendation" on eight Toyota models; the Department of Justice and the Securities and Exchange Commission initiated investigations; and Congress opened up its own inquiry, complete with public hearings. By 2011, two years after ascending to the top, Toyota was passed by GM as the number one carmaker in the world.

Unethical Practice that made government to direct the Toyota Company to shut down its manufacturing plants-

Toyota's ignorance on safety measures: An off-duty California policeman was driving a Toyota Lexus that accelerated more than one hundred miles per hour and crashed, killing the officer and his family. The incident received news coverage that featured a recorded cell phone call to 911 documenting that the acceleration was uncontrolled, and the driver had no part in the sudden acceleration. Toyota made a fake promised about acceleration, quality, reliability and excellence of its car brand. Toyota weren't honest with the public and public perceived that the company had something to hide. Company played a blame game a held supplier responsible of the problem and lost the goodwill as well as loyalty of customers.

The following impact was made on the Toyota's Business Environment

- I. The brand image of Toyota was crashed.
- II. People no longer trusted the brand and opted for other cars. Company halt the sales of eight of its top selling models in the U.S and recalled more than nine million cars worldwide. Because of this they have suffered billions of losses.
- III. To be a market leader in terms of quality, Toyota ignored the safety measures and people lost their lives due to uncontrollable acceleration in Toyota cars.
- IV. Japanese executives showed their disinterest in working with North American regulators.
- V. Loss of revenue as Toyota had to pay \$66 million in civil penalties.
- VI. Lack of transparency as Toyota was accused of hiding the data accelerator pedals.

X. CONCLUSION OF THE CASE STUDY

Toyota's reputation and market share were based on its commitment to quality, reliability, customer focus, and excellence in design and manufacturing. " (Ehtesham, 2016)The problem begins when an off-duty California policeman was driving a Toyota Lexus that accelerated more than one hundred miles per hour and crashed, killing the officer and his family". The incident received news coverage that featured a recorded cell phone call to 911 documenting that the acceleration was uncontrolled, and the driver had no part in the sudden acceleration. This incident due to uncontrollable acceleration led to the recall of 3.9 million vehicles in the U.S. on September 29, 2009 ascribed to floor mat problems leading to sticking accelerator pedals. (David Fan, 2013)The problem grabbed national attention in late January and early February 2010: Toyota suspended sales of eight models in North America, expanded recalls to Europe and China, and shut manufacturing plants and suffered in terms of revenue loss, civil penalties, and loss of reputation, goodwill, public trust and loyalty. Later on it was clearly depicted from the case that just to earn some extra profits, to increase sale and its revenue company compromised with quality and excellence of its product, something that was its main reason behind large market share, high customer retention ratio, and high revenues. But all this company lost in a very short time as soon as the bubble blew out in the market. So, it was clear to the organizations that lack of ethical practices can make you profits in short run but not in long run.

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