HUMANITIES FOR ENGINEERS (UHU005)

Case Study Analysis

On

Measuring the Ethical Quotient of Corporations: The Case of Small And Medium Enterprises in India

Submitted By-

Aarushi Agarwal 102215273

Subgroup- 3O3C

Submitted to-

Dr. Razia

DEPARTMENT OF ELECTRONICS & COMMUNICATION ENGINEERING

THAPAR INSTITUTE OF ENGINEERING AND TECHNOLOGY, (A DEEMED TO BE UNIVERSITY), PATIALA, PUNJAB

INDIA

JANUARY 2025 - MAY 2025

Q1: What do you understand by term ETHICS & VALUES?

Ethics and values are like the backbone of how a business operates, guiding decisions and behaviour. From the case study, ethics are described as the "rules or standards" that help companies figure out what's morally right or wrong. For example, if an SME has to decide whether to ship a faulty product to meet a deadline, ethics would push them to be honest with the customer instead of hiding the problem. The study emphasizes that ethics aren't just about following laws—they're about doing what's *right*, even if it costs short-term profits. Imagine a small business owner discovering their factory pollutes a local river. Ethics would demand they fix the issue, even if it's expensive, because it's the morally responsible choice.

Values, on the other hand, are the principles a company cares about most, like fairness, honesty, or sustainability. These values shape *why* a business makes certain choices. For instance, if an SME values "employee well-being," they might offer flexible work hours or fair wages. The case study mentions that many Indian SMEs are family-owned, so personal values (like loyalty to family members) often mix with business decisions. This can lead to conflicts, like hiring a relative over a more qualified candidate. Values act as the "why" behind actions—like prioritizing customer trust over quick profits.

The study also highlights a big issue: SMEs often lack formal ethics policies. Instead of written rules, they rely on informal chats or the owner's personal judgment. For example, in sectors like IT or pharmaceuticals, companies scored low on financial ethics because they prioritized cutting costs over transparency. Without clear guidelines, employees might cut corners to meet targets, like lying about product quality or ignoring safety standards. This hurts the company's reputation in the long run.

In simple terms, ethics are the *how* (doing the right thing), and values are the *why* (what the company stands for). For SMEs, balancing both is crucial to building trust and lasting success. If a business values "integrity," its ethical decisions—like admitting mistakes to customers—will reflect that, even if it's tough.

Q2: How the core values of business that is profit maximization is different from business ethics?

Profit maximization means focusing on making as much money as possible, while business ethics is about balancing profits with fairness and responsibility. The case study shows how Indian SMEs struggle with this balance, especially when resources are tight.

1. Short-Term Gains vs. Long-Term Trust:
   SMEs might take unethical shortcuts to save money quickly. For example, delaying payments to suppliers or ignoring safety standards to cut costs. The study mentions some Indian SMEs evade taxes or skip labor laws to boost profits. But this backfires later—workers might quit over unfair treatment, or legal fines could drain profits. Ethics, however, push businesses to think long-term. If a company admits a product defect and fixes it, they might lose a sale now but keep customer trust for years.
2. Impact on People and Planet:
   Chasing profits alone can hurt employees, customers, or the environment. The study notes SMEs with weak HR ethics (like unfair wages) face high employee turnover. Imagine a factory paying workers below minimum wage to save money—it’s profitable short-term but unethical. In contrast, ethical practices, like paying living wages, keep employees motivated and loyal. Similarly, dumping waste to save disposal costs harms the environment, violating ethics even if it’s legal.
3. Legal vs. Moral Choices:
   Profit-driven decisions might stay within the law but still be unethical. For example, paying minimum wage is legal, but if it’s too low for workers to survive, it’s unfair. The case study mentions family-run SMEs where favoritism (hiring unqualified relatives) isn’t illegal but damages team morale. Ethics demand going beyond legality—like ensuring fair opportunities for all employees.
4. Reputation and Survival:
   Unethical actions ruin a company’s image. The study found Indian IT and pharma SMEs scored poorly on financial and IPR (intellectual property) ethics. If a company steals ideas or lies about product quality, customers and investors lose trust. For example, a pharmacy selling counterfeit medicines might profit temporarily, but once exposed, it could face lawsuits or boycotts. Ethical businesses, however, build loyalty. A small firm that transparently explains shipping delays might lose a sale today but gain a loyal customer tomorrow.

The study suggests SMEs adopt an "Ethics Strategy"—creating clear policies (like a code of conduct) and training employees to align profits with ethics. For instance, a clothing SME might audit factories to ensure fair labour practices, even if it raises costs. While profit keeps a business alive, ethics ensure it thrives sustainably. In the end, SMEs need both to compete and earn respect in the long run.