
UNIT 15 ORGANIZATIONAL ETHICS AND VALUES

Objectives

After going through this unit, you should be able to:

- explain the organizational ethics and values
- explain why it is so important and what are the issues involved
- understand various theories on ethics
- appreciate the uniqueness of Indian Ethos
- explain relevance of ethics in various management function, and
- explain how ethics can be incorporated in organizational culture.

Structure

- 15.1 History of Modern Business Ethics
- 15.2 Why Business Ethics
- 15.3 Issues Involved in Business Ethics
- 15.4 Why Business Ethics has become so Important Today
- 15.5 Theories of Ethics
- 15.6 Values
- 15.7 Indian Ethos
- 15.8 Ethics and Marketing
- 15.9 Ethics and Purchasing
- 15.10 Operations Management and" Ethics
- 15.11 Human Resources Management and Ethics
- 15.12 Issues Involved in Ethics Related to Finance and Accounting and Business Scams
- 15.13 Examples of Good Ethics in Indian Organizations
- 15.14 Creating an Organizational Culture for Ethics - The Tool. to Promoting Ethical Corporate Behaviour
- 15.15 Case Studies and Examples on Ethics
- 15.16 Summary
- 15.17 Self-Assessment Questions
- 15.18 Further Readings

15.1 HISTORY OF MODERN BUSINESS ETHICS

Business Ethics is. the study of morality in business and is concerned with the conducted and wisdom related to business decisions. Business ethics has emerged recently as an important area of study in view of the sordid events of the past few years in public affairs. The nexus between business, crime and politics has forced us to ask a basic question -Is business leading to any deterioration in society instead of growth and harmony? Increasing



number of business scams, unethical use of mass media appeals, destruction of earth environment, etc has led to a new approach that ethics and values needs to be taught at management schools °so that future management leaders are fully aware of the consequences of their decisions and can restraint themselves.

Although our classical books and scholars like chanakya has written a lot on ethics for practice and the society, businessman has been adopting it, the modern day business ethics as a subject in management was introduced around 1976 at premium business schools of USA like Harvard and Wharton. USA itself has now more than half a dozen journals on business ethics. In India the sustained research efforts on values were started by Indian Institute of Management Calcutta way back in 1978 and it has now established a centre for Human values in Management with an estimated budget of Rs. 4/- crores fully supported by many big organizations. Many organizations are quite well known for starting code of ethics for their executives and staff and specific names to be counted can be Punjab National Bank, Alacrity foundation etc. Ethical education should be designed to produce balanced: pleasant, flexible and effective managers with the powers of insight and the courage to create and use ethically desirable means to sustain organizations in an age of competition and liberalization. They must also learn that people are basically good but sometimes they can be vicious and education on ethics and values can provide that wisdom to prevent the vicious.

Business ethics are the desired norms of behavior exclusively dealing with commercial transactions. Moral values are-deep-rooted ideas and feelings that manifest themselves as behavior or conduct and are not so easy to express or measures in words: Hence if we know the consequences of our actions we can convert values into rules of behaviors that can be described as ethics.

15.2 WHY BUSINESS ETHICS

(i) Ethics helps the Market do its best

- 200 years back Adam Smith has said in his book wealth of Nations "Our system of capitalism does not work well unless it has moral cooperation of its participants.
- Every time we bribe or use corrupt practices we lower down the efficiency of market to generate true wealth as decision in such cases are not based on price and quality but on other consideration
- Wall. Street magazine quoted Japan's secret weapon of success as courtesy. Even a low paid employee can harm a billion dollor organizations by being rude to customers.
- Companies like Procter & Gamble uses more than 800 toll free telephone booths merely to allow the customers to give complaints freely.
- Honesty of Taxi Drivers and others involved in Hospitality services of Singapore is considered a major factor in promotion of tourism of that country and they are specially trained' on ethics values and etiquets.
- Tata's- credibility has been rated very high the world over because it started joint consultative process, and supported their employees with measures like education; housing and medical and other welfare facilities much before the law was created in India.
- In a business round table report in USA, the myth about the contradiction between -ethics and profit got thoroughly debunked by the attitudes and actions of top managers who stated that good reputation for fair and honest business is a prime corporate asset that all employees should nurture with greatest care.
- It does not hurt to be ethical.

(ii) Law can not alone protect society but Ethics can

- No regulation can go to a deep extent where ethics can. Technology races ahead much faster than any Govt, can regulate. People in Industry only know better the. danger of any technology than Govt.



- In the well known Chiso corporation case at Minimata Japan, mercury was dumped in the water along with effluents which got absorbed by fishes and finally eaten by human beings leading to eye and birth defects. While the lawyer could establish in the court that there was no violation of norms prescribed by the Govt. the corporation was held responsible on moral grounds and had to suffer a lot.
- Law only speaks of a minimum. Of course the Govt. in most of the countries are getting awakened at a faster rate with stringent punishment for violation of norms or adoption of non desired behaviors by business and organizations but the issue can only be handled fully by ethics and morality.

(iii) Ethics is good in itself

- Following ethics give one courage, satisfaction, peace and leads to overall growth and harmony in society. Gandhiji has said that if you treat your employee merely an object as a means to make profit you are basically demeaning the humanity. Gita the holy book written to guide us in our actions says that we should act without carving for our comes. In Christianity the concept of stewardship has a meaning that we do not own properties but act as steward so that others can benefit.
- Fairness has to be consistent. If a father punish his child for stealing the pencil of his class fellow but brings- one from his office he is not consistent and hardly provides a good example of ethical behavior.
- There are well known example of Indian Business Organizations who failed due to not following the ethics or the owner has to face humiliation and close his business (Examples provided later on in the text).

Activity 15.1

Talk to your colleagues in your organisation and find out their view on "why business ethics" and prepare a small write up, discuss among your peers.

.....

.....

.....

.....

.....

.....

.....

15.3 ISSUES INVOLVED IN BUSINESS ETHICS

(i) Ethics and profit :

- California management review has published a report under which business results of 7 years period was studied for various companies and it was established well that most companies which showed the highest concern for ethics tended to show highest growth and profits.
- In India also the Alacrity Foundation a Chennai based housing development company is an excellent example of ethics. It adopted honesty and fair practices as its values and discouraged its employee to pay any bribe while dealing with any Govt. official. While for a few months its projects got delayed and it had to pay even extra interest to its customers but it earned a strong goodwill which helped later on for more business and reputation as provider of good housing units.
- Johnson & Johnson which followed ethics in its practices and is well known for the loss it had to incur in lifting back its stock of certain capsules of Tylenol which got laced with poison in transit. J&J has grown at a much faster rate in the last 35 years with a high stock market appreciation.



(ii) What is an ethical responsible organization?

- It is concerned with stakeholders not merely stockholders. It cares in business all stakeholders like employees, suppliers, and people who live in surroundings, consumers, future citizen's etc.
- It undertakes its responsibility to society and stakeholders as a social contract for the benefit it draws from society.
- It has a management structure to facilitate ethical functioning. In the well known Bhopal Gas Tragedy of Union Carbide it came clear that no one was a culprit but people were not knowing what other part of corporation is doing as functioning and accountability was found lacking

(iii) Codes and Culture :

- Ethics comes by values, which are not a one-day outcome but shaped by the long traditions followed in an organization and the examples set by its top leaders. The key leader's role is very important in the beginning. When Mr. Deepak Pareek CMD HDFC was awarded the businessman of year award he has stated ethics as -"Do not do anything in your dealing which if becomes public you have to feel ashamed".

(iv) Economy and Environment :

- Ethical organization encourages a harmony with environment. Do not destroy -the mother earth and its equilibrium.

(v) Competition and Ethics :

- Organizations / Companies known for their ethics adopted their high values not when they had become big and prosperous but when they were small outfits. And it is precisely these values that gave them backing of the public, which enabled them to grow to their present giant size.
- Delta Airlines started its ethical code when it just had 12 planes with 2.5 million and today it has crossed the turnover of more than 2.5 billion.
- Tata started value based organization way back in 1904 in a small way and it emerged as one of best organization. Tisco had no strike in the last 58 years.
- Johnson & Johnson started practicing values when it was very small and imbibed these values with its growth.

(vi) Values help a better decision making in the organization :

- If the organization has defined its code of conduct and values to be followed it becomes easy for managers and employees to decide.

15.4 WHY BUSINESS ETHICS HAS BECOME SO IMPORTANT TODAY

Why suddenly the ethics has become so important today in business. The answer lies in some of the changes that are taking place around us. Examples.

I. New Products

- (a) Are all products needed Plastic bags.
- (b) Do people know its safe use - Pesticides.
- (c) Do they deliver what they promise.
- (d) Are there any side effects / long term repercussions.
- (e) What is its impact on environment / natural resources.

II. Affluence

Are the rich not becoming more richer and can a society live in harmony by the exploitation of poor.



III. Marketing techniques

- (a) Marketing cost is going up.
- (b) Desire to win at all cost. It is not leading to bribes, corruption.
- (c) Harmful advertisement - Imagine the 3 years old Lucknow child who jumped from a building after seeing an advertisement of a famous cold drinks in order to fly like the hero.

IV. Customer getting more educated

Today can you fool a customer by hiding relevant information.

V. Litigation Cost

Just image the cost Union Carbide had to pay for Bhopal Tragedy.

VI. Changing business relationship

- Dealing with unknowns across the globe.
- Use of Internet avoiding face to face dealing.
- Need for more trust and a better brand name.

VII. Rising Personal Expectations

- Customer want better product at low cost.
- Need for continuous improvement.
- Employees want respect and dignity.
- Stockholders want more voice.
- Management wants to be trusted.
- Environmentalist want better control.

VIII. Resources Scarcity

- Increased role of business in public life.
- All business is now becoming a public affair with public money and for benefit of public at large.
- Social audit of business.
- Professional codes of ethics for all emerging.
- Business ethics is a global phenomenon today.
- International trade.

Activity 15.2

Identify five HRD heads from private, public and multinational organisation and try to know their view about the importance and need of having or not having Business Ethics in organisational situation.

.....

.....

.....

.....

.....

.....

.....

.....



15.5 THEORIES OF ETHICS

- (A) **Non-Cognitive theory** of ethics is subjective in nature and is based on the attitudes. It believes that there is no truth or false and nothing is either good or bad in behavior but our thinking makes it so. Attitudes towards religions, race, subgroups are all result of moral relativism. As a result of which one State Govt. prohibits the use of alcohol while other does not find anything wrong with it. One society does not encourage the woman to work while other's would call it exploitation. In certain countries bribe is still acceptable as a norm because public servant is low paid and it may be considered as extra motivation to allow him to take initiative beyond his duty. While in other society such a corruption is dealt with severe punishment. In other society where the dealing public servants are paid good salary as a norm itself the problem may not even exist. Only the circumstances makes a situation good or bad. Similarly the attendant system or giving tips in hotels can not be evaluated, as good or bad and are all subjective based on relativism. In other words certain culture have discovered a practice as morally right while other culture found it wrong.
- (B) **Religious Morality** : This theory is based on the concept that if God exist who, better than God can decide what is wrong or right. Under Divine command theory God will reward the righteous with a joy of heaven and those with wickedness to hell. Accordingly all religions has prescribed to its followers certain ethics and codes which binds people together since belonging to a community required following of certain obligations. Campassion, honesty, fairness &. Justice, giving of surplus, equanimity, truthfulness etc. are mostly found in all religions and has allowed us to survive to the present day.
- (C) **Consequentialism theory on ethics** : This theory is dependent on the measurement of consequences as to what is good in that and what is bad in that and allows us to decide on the weightage while non consequentialism is principle centred approach which clearly specifies, what is good or bad or what is beneficial or harmful based on that something is just right or wrong. Consequentialism provides us answers which are more pragmatic. For example, If in a factory there is shrinkage (loss of stock pilferage by employees) the non-consequentialist would clearly argue that stealing is bad and needs to be punished severely. A consequentialist would weight the consequences in terms of its morals on employees, cost of extra security, impact of dismissal etc. Both agree that stealing is wrong, they differ in their understanding of why it is wrong. One thinks of the socially disruptive effects of the stealing as a practices while the other feels that there is something intrinsically wrong in the act of taking someone's property. Similarly in the case of abortions, consequentialist would argue about the social effect of unwanted pregnancy (Pro-choice lobby), while nonconsequentialist would argue about the unborn child's right to life (Pro life lobby). Adherence to principle is the basis of non-consequentialist under which only one response gets elicited while other person responds with situation and this can produce the best result possibly.
- (D) **Utilitarianism** i.e. ethics of welfare is based on. consequential approach and on the concept of welfare. Utility means capacity in action to have good results i.e. usefulness. Accordingly actions are not good or bad in themselves but only in what they are good or bad for utility means happiness and an action would be right if it leads to maximization of happiness or minimization of unhappiness and one can take a decision based on this principle. It has to be a sum total of human happiness which needs to be maximized and not simply our own individual happiness. It is called greatest happiness principal which majority feel happy. However this principle can be modified further that unhappiness or suffering is felt more than happiness and needs to be given extra weightage. The decision on various long projects, like dams etc. can be evaluated based on the above concepts as nothing in such situation can be said right or wrong.
- (E) **Kantianism** : The ethics of duty - It is based on the concept that all of us have certain duties to perform in our roles like a mother has a duty to a child and does not see



what benefit she will gain in bringing up the child. We should perform our actions without motive and a sense of duty. A personnel officer has a duty to maintain confidentiality of employee's personal history.

15.6 VALUES

Can Wealth Satisfy a Man

In an age of consumerism where success is getting measured by comparisons, man is sacrificing his happiness. Over ambitious and keenness to earn fast is leading to a stage of excessive burnout where the person is forced to think how much is his need for money. Even when we are giving it is really for giving or for the sake of recognition. There are who have a little but give it all and they are never empty. Much of management education unfortunately is converting human being into a money making machine.

"People who work only for money making, gets slowly enslaved by the desire for getting more money by exploiting others which becomes a conditioned reflex with these people, resulting restlessness, tension, secret, fear and total loss of peace."
BAGWAT GITA

NEITHER MAXIMUM NOR MINIMUM BUT OPTIMUM

In our day to day functioning we are faced with many contradictory values over a time and have to face which one to follow. We can seek an optimum mix in such values that can function satisfactorily in real life. Some of these values are.

- (1) **Controlled greed:** This is the most crucial value needing discussion in business ethics because most people would agree that business entity can not operate unless an element of greed is inbuilt into its operations. How much of it is the debatable issue. Indian thinkers mostly depend on internal controls, genetic cultivation and family culture to curtail greed. There is nothing wrong in materialism if it is secondary i.e. secondary to honesty, love, equality, justice, and compassion. If it comes first it can lead to exploitation, misery and loss of peace.
- (2) **Pursuit of Pleasure:** (Anand) Happiness and Pleasure are not just Pleasure of flesh but also of mind. Pleasure must be distinguished from greed. Absence of greed can indeed be a cause of giving pleasure, like in the case of Alacrity Foundation of Tamil Nadu whose shareholders accepted with pleasure a lower return on investment in favour of high ethical values of honesty. Excell Industry of Gujrat is also a similar example where Mr. Narayanan CEO, called Guru by his staff draws a greater pleasure in social welfare programme of the firm. This company even goes to jails to recruit the reformed inmates as an investment and great pleasure. If you are keen to know the impact on business, this company has done wonderful in results too.

You get pleasure only when you are detached by the out come which has been beautifully described as "management by detached involvement" by Dr. Jagdish Pareekh. Phd. (Harvard) in his best selling book managing yourself.

- (3) **Efficiency and Action:** Action only leads to improvements and productivity of resources: "They only live by right who till the soil and raise their food. The rest are parasites". Kural Virse - 1033.
- (4) **Truthfulness:** Truth is ethically valued because of its Universalisability and in business or organizations it is the first step to build trust.
- (5) **Transparency and honesty:** It requires total openness and nothing to be hidden from those who would be affected by the information.
- (6) **Compassion and Charity:** All religions have laid a strong emphasis on these values and Jains have extended it even to all living beings, Charity should never be combined with arrogance.



- (a) "Do something good for those who can not reciprocate it and your self esteem will go up". - **Mahatma Gandhi**.
- (b) **Mr. P. Rajgopal**, 47 years old MD. of Sarvanana Bhavan chain of hotels in Tamil Nadu who started merely as cleaner in a restaurant in a small town is now a successful person with 41 crores turnover. He spends 2.5 lakhs (Rs. 2001- each) per month on monetary support to the old parents of his employees with Karuna Bhava (Compassion) like a True Kamayogi. The pay off is more automatic than expected, as he concentrated in Karma (Responsibility) and not on pay off.

- (7) **Self-Sacrifice:** Where individuals undertake intensive effort of great deprivation to themselves but yielding immense social benefits had greater impact in terms of contribution and is strongly advocated by Jains, Buddhists, Vedanta and other scholars.
- What Swami Vivekananda said is truly relevant. "Unselfishness pays a lot only the people have not the patience to practice it."
 - Indian tradition had always searched for ideal heroes as models for living an ideal life of work. The Mahabharata offers us two powerful models, one in Arjun and the other in Duryodhana.

Both are equally brilliant, powerful, having intensive organizing capabilities. In fact, Duryodhana, as a statesman, was more sagacious than Arjuna. Yet why did Duryodhana fail and Arjuna succeed? The simple answer is that with all his extra-ordinary valour, Arjuna accepted the message of Krishna:

"Those who accept all works as a sacrifice for the welfare of all, they are freed from all sins (and attain success). But those who work only for their own benefit and profit, eat only sins (and they get defeated in their purpose).

Gandhari the symbol of righteous knowledge advised her son, before the war, just as Krishna advised Arjuna; but Duryodhana refused to listen to his mother. In Mahabharata Gandhari said (Udyoga Parva) (128:2:21)

"O my extremely brilliant and mighty-powerful son, no one can get Kingdom if he fights only for his personal benefits; even if he gets it, he can neither keep nor enjoy it". Again Gandhari says to Duryadhana "Unless the leader is self-controlled, the assistant ministers will never listen to him, nor can he give punishment to evil-doers if he takes rash decisions with an unsteady-mind. The Goddess of Wealth never comes to such a person". (128:2:30) She predicted to Duryodhana that, the Pandavas were going to win over him because they had excelled him in dharna (righteous action) - Dharmastu Abhyadhikoh tatah (128:2:51-52).

- **P. C Roy** lived an aster life but developed the basic pharmaceutical and chemical industry in India.
- **He Who Sacrifices is a True Leader:-**

On his way to India, young Alexander and his huge army were gripped by severe drought and thirst. Some soldiers dug the soil and with great difficulty brought a little drinking water for their leader. Alexander smiled and spread the water on the burning sands. He was one with the army. It is with such a spirit of sacrifice that Columbus had succeeded to steer to the new continent, even when his convict-sailors turned against him.

"Kill self first if you want to succeed", says Vivekananda. And again, he said, "We are the servants of all". The brutal mania of egotistical leadership has brought death to many institutions. Aurangzeb with his pious geocentricism brought ruin on the Mughal Empire. "He who will offer his own head, will lead other heads too", says the Sikh Slogan - Sardar Sirdar.

- (8) **Evenness of mind** - The Secret of successful management:

Should one always expect success? No, All movements in the world are non-linear,



with regular ups and downs like sound wave, light wave, and the waves of joy and sorrow. in one's life.

If with all the efficiency and struggle success does not come, what should the Manager do? He should be calm and accept the situation with equanimity. This equanimity is the secret of facing all situation in work - Yogah Karmasu Kausalam (Yoga is skill in action) - says the Gita.

That skill, according to Shankara, consists in maintaining the evenness of mind in success and failure, in the performance of work as one's duty.

The calm mind in failure will lead him to deeper introspection and see clearly where the process went wrong and eventually lead the person to lasting success.

Face Adverse Situation with Strength and Calmness:

Once an executive asked, "How to face the situation when things fall apart and workers go wild? Vivekananda's answer was. "Face the brute Face it with all the infinite strength and courage of the Self within.

'Abhayam' (Fearlessness) is the first requisite of a man of action, according to Gita. And this strength and fearlessness which comes from the infinite strength within, must be combined with the calmness, evenness, tranquility of mind and spiritual approach for solution. "Religion is the manifestation of the natural strength that is in man", said Vivekananda. Krishna's immortal exhortation to Arjuna "**Yield not to unmanliness O Partha, it does not befit you**", has become the classic Indian invocation for fearlessness. It is tragic that Arjuna, the scorcher of foes, got suddenly frightened by the specter of the colossal army of the enemy and lost all faith in his own world-conquering power. Krishna, by sheer power of words, the celestial song (Gita), removed his delusion and restored the faith. "Faith is not belief, it is a grasp on the ultimate, an illumination", said Vivekananda: A man of faith is invincible. He can turn the tides of history. And this faith comes out of the knowledge that there always is the Self, the ever-present divinity which is the repository of all strength, and bliss. All executives in troubled times will derive immense strength and benefit if they remember the few lines Vivekananda had written to his young enterprising Madras disciples: "**Try to manifest the divinity within and everything will be harmoniously arranged around it**". (Complete Works 4:351)

(9) Trust, Cooperation and Working together:

Without trust business transactions can become tortuous, chimsy and expensive After globalization it has become all the more important. Without working together as a team, organizations can work at low efficiency.

The Brass industry of Moradabad and Hosiery units at Tripur provides an excellent example of collaborative working where excess order is passed on to the neighbour which has enabled these cities to be the leader of industry and many benefits in terms of lower cost of production, 'good quality, export incentives gets automatically passed to all manufactures with industry growing as a whole because an importer knows that he can always be assured of getting his order fulfilled from these cities in view of the norm and values followed by manufacturers.

Nature knows that fighting is foolish, it wastes time, it wastes energy, it risks unnecessary injury and it makes no sense. Peaceful co-existence mutuality and cooperation shall achieve the highest welfare" writes K Matsushita in his book 'Thought on Man' ! "If Japan forty years ago had been firmly resolved to seek mutual prosperity instead of dominance in Asia, the country would. have been spared the devastation of war and the horrible suffering that came with being the world's first victim of a nuclear attack.

(10) Gratitude and Respectfulness:

The importance of these values in business is obvious and it is to be seers in conjunction with other values. It helps the person in avoiding jealousy leakage of efforts, ego trap and will bring the support of others. The famous Japanese Company Matsushita uses these in its value education and Japan's success is also attributed a lot by this value in their society:



In the book "**The Art of Japanese Management**" by Richard Tanner Pascale and Anthony G. Athos, the authors give a whole chapter entitled "Spiritual values" where 'Matsushita philosophy' and 'Matsushita values' are described as the most powerful trend-setter in today's Japanese management.

The authors wrote: "The Matsushita philosophy provides a basis of meaning beyond the products it produces. Matsushita was the first company in Japan to have a song and a code of values. It seems silly to Westerners, but every morning at 8 a.m. all across Japan, there are 87,000 people reciting the code of values. It is like we are all a community".

The Matsushita "Spiritual Values" are:

- **National Service through industry**
- **Fairness .**
- **Harmony and Co-operation**
- **Struggle for Betterment**
- **Courtesy and Humility**
- **Adjustment and Assimilation**
- **Gratitude**

(11) Harmony with Self, Society and nature: With the resurgence of environmental ethics these trends are now finding universal acceptance all over the world.

15.7 INDIAN ETHOS

Indian ethos derived from Vivekananda, other scholars and relevant to management are listed here which are based on holistic approach and values like personal purity, self sacrifices (Tapasya), internal happiness, forgiveness, donations of excess (Dana), Compassion (Daya), Responsibility (Karma), Modesty (Vinayam), dedication (Samarpan) etc. Some of the sayings are highly relevant in our life: work and otherwise:

"Karmayogi is a person who is committed to truth i.e., the well being of others. Only a pure mind in its serenity and calmness discovers the truth".

"Happiness has to be searched internally. The inner should be given priority in human development. If the inner world is not coherent things will remain complicated".

"Purity, patience and perseverance are the three essentials of success and love".

"Knowledge comes from others and is a great power, wisdom is your own understanding. Knowledge alone without wisdom can bring sorrow".

"One can enjoy life by sacrificing selfishness".

"We are normally focused on what is missing in life. The moment you start operating from what you do not have, then whatever you have also goes into darkness".

"Every human being has potential".

"All work is an opportunity for doing good to the world".

"Strength and inspiration for excellence in work comes from the Atman, the Self, the God-within, through prayer, meditation, holy readings and unselfish work".

"He who works with calm and evenness of mind achieves the most as he acts from his mind not reacts (Retalliation)".

"A calm mind touches the core of infinite and thus gets re-energized from that infinite which is the Self of man. Power, joy, hope, confidence, and introspection flow in the person who can make his restless mind calm".

"Face adverse situation with strength and calmness (Equanimity)".



"Empowerment is the power that lives within each one of us. It is a self realization that I am responsible for the choice I make".

"By mutual co-operation, respect and fellow-feeling, all of us will enjoy the highest good, both materially and spiritually".

"Righteous action leads to wealth, victory, general welfare of the masses, and constant justice".

"Trust leads to trust and mistrust leads to mistrust".

"Morality comes to a manager by constant introspection and self-discipline".

"The moral person like the Saint arouses the enduring faith of his followers. This is the faith that will lead to better performance".

"The king's (Leader) behavior should be such that each of his subject thinks that he is very dear or close to the king - If a Leader has this quality, the organization will run most satisfactorily".

Chanakya's Quotation, on Leadership and Management

"The root of kingdom lies in the Self-controlled life of the ruler".

"The root of self-control lies in genuine humility".

"Humility comes from serving enlightened persons".

"From the services of enlightened persons comes wisdom".

"By wisdom is gained the knowledge of the Atman-Self".

"A man of Self-Realization conquers everything in the Universe"

Jain Dharam

Paropkar (doing good to others) and Parahita Chinta (thinking good of others) are the first two values in Jain religion towards a joyful living. In Jain tradition a true leader must have his life based on the following holistic qualities:

- Maitri Bhava (Friendliness towards all).
- Pramoda - Bhava (Joy in seeing qualities in others).
- Kiruna Bhava (Respect and Compassion even to inferior beings).
- Madhyastha Buddhi Bhavana (Impartial, calm, even attitude of mind towards all people and all situations).

Guru Nanak

"Main Jite Jag Jit (A man of self control conquers the world)".

Mahatma Gandhi

"No one can take your self esteem away unless you choose to give it away".

Inter-connected - Sapta Sheela - Principles

1. The Basic Principle: "AHAM BRAHMASMI TATTWAMASI"

Each soul is potentially Divine. I have immense potentialities. You have infinite Potential.

2. Why work? "ATMANO MOKSHARTHAM JAGAT-HITAYA CHA":

For your own salvation (upliftment) and for the good of the world. Synchronise your private benefit with the public benefit.

3. What is work? YAGYARTHA KARMANAH/ PARASPARM

BHACYANTAH" Karma is to be done in the spirit of YAJNA Nurturing each other.

Serve others. Give your best for the good of others.

Excellence in work is YOGA.

Subtle / subjective factors are more important than gross/ objective factors.

Even though you have gone through this unit, you should talk to various friends of yours and try and keep a record of what Indian ethical practices are being adopted by various organisations. Having done so, try to disseminate this information as far as possible in your organisation and beyond. List out the issues evolving out of it.

[illegible]

Some ethical issues involved in marketing are listed below:

- Coming to the specifics of the ethics of advertising, Hymen et al. (1994) cover the following issues :

- 45



3. Does it make false promises?
4. Does it criticize other products - truthfully or otherwise?
5. Does it create socially undesirable demands?
6. Does it cause socially undesirable action by the target audience?
7. Does it try to influence target groups who are not mature enough to understand and discriminate, e.g. children?
8. Is it any way offensive to good taste?
9. Is it in using money power to blackball fair competition?
10. Does it lower the dignity of women?
11. Does it revel in intimate physical details which good taste should leave alone?
12. Does it defame any person or class of persons?
13. Does it build a stereotype which results in some class of persons having a disadvantage in normal social relationship?
14. Does it manipulate the viewer by subliminal suggestions or emotional blackmail by wrongly, unreasonably, irrationally invoking basic and hidden fears of death and injury, or visions and fantasies?

15.9 ETHICS AND PURCHASING

Ethical issues involved in purchasing may relate to the following.

1. Gifts and commissions - Diwali gifts. There is nothing as free gift.
2. Kick back.
3. Free holidays and inducing the buyer.
4. Deceptive orders - promising too large an order which may not exist.
5. Calling quotation without intention of buying.
6. Favouratism - Giving chance to only known persons or disclosing important information to a selected few.
7. Information disclosure - Passing the secret of one competitive to other.

15.10 OPERATIONS MANAGEMENT AND ETHICS

Some issues involved

1. Employees theft
2. Fiddling with expenses account
3. Misuse of company assets
4. Environmental pollution and effluents
5. Delayed payments.
6. Poor quality and service - like hospitals (A case when a patient was discharged in 4 days instead of 5 days needed to adjust a new patient)
7. Political donations
8. Giving excessive gifts

15.11 HUMAN RESOURCES MANAGEMENT AND ETHICS

A few areas where ethics can be an issue in HRM

1. Recruitment of favourable persons.



2. Wrong advertisement. No full information.
3. Sex discrimination in selection / promotions.
4. Not maintaining confidentiality.
5. Tie up with recruitment agencies.
6. Discrimination in compensation fixation.
7. Wrong method used in separation - using union leaders to intimidate employees in opting for V.R.S.
8. Curving genuine trade unionism.
9. Wrong incentive calculations.

15.12 ISSUES INVOLVED IN ETHICS RELATED TO FINANCE AND ACCOUNTING & BUSINESS SCAMS

Finance

1. Seeking rewards not from productivity but from speculative forecasting.
2. Focus of management not on governance for a long term trust building but on the naked greed of high profits.
3. Transactions are hidden from public. No transparency.
4. Systems can be such that rewards for risk taking goes to one set of persons whereas cost are likely to be borne by many others or public.
5. Looking for astronomically high rewards.
6. Weak internal controls for several reasons.

Accounts

Accounting is supposed to provide information to the accountee even if it is uncomfortable to the accountant as this information helps in decision making and for accountability.

1. Undue dependence on junior level staff or untrained persons by over committed certified accountants.
2. Charging fee higher than needed.
3. Compromising on ethics of accounting.
4. Receiving undue hospitality and favours.
5. Hiding information or facts and not advising correctly for the fear of losing contract.

Bank Scams

- (a) Are the Banks supposed to invest public money in highly speculative areas.
- (b) Is not certain portion of their investment to be made in no risk areas.
- (c) Banking regulations requires certain standards of public disclosure of information.

Reason of Indian Banking Scam: Harshad Mehta Case

- An unscrupulous operator forged documents and created fake transaction which seems to satisfy banking regulations.
- He took the money from banks for temporary periods and paid them handsome returns till overheated market of his creations collapsed.
- Govt. securities, had very low rate of returns whereas the interest rate of market was high (unwise interference by the Govt. in market mechanism)
- Failures of internal control system.



- Most of the banks were running in losses till 1993. Various banks like Allahabad Bank, - Bank of Baroda, Bank of Maharashtra, Canara Bank, Syndicate Bank, State Bank of India were reporting losses and were under pressure to turn around.
- However the banks had the direction to invest in priority sector with low interest (No profit even with efficient operations appeared possible).
- Labour cost in banks was very high as no computerization was allowed by staff unions.
- Inadequacy in disclosure standards of banking in India. Still banks were expected to make profits and their rewards were dependent on it.
- It was then natural to compromise and cut ethical corners by the bank officials.

What is inside trading

To buy or sell shares / securities on the basis of privileged information. It is a breach of trust and requires strong monitoring boards for control by the Govt. agencies.

The Other Sides of Mergers and Acquisitions

It is commonly believed that in India also companies merging or acquiring other companies will become a trend soon . It is well understood that these mergers and acquisitions have an ethical side, some of which has been incorporated into laws. Many others have not.

The ethics of mergers and acquisitions have six basic issues:

1. Manipulations of market and share purchase transactions.
2. Processes of valuation of companies and their share prices.
3. Unfair consequences for the shareholders.
4. Unfair consequences for the genuine investors as against those who have never grown even a blade of grass.
5. Unfair consequences for the consumers and society.
6. Unfair consequences for the employees.

15.13 EXAMPLES OF GOOD ETHICS IN INDIAN ORGANIZATIONS

- A. The Housing Development Finance Corporation (HDFC):** Thanks to this organization, one million middle-class Indians have been able to buy their own homes. About 5,000 new applicants approach HDFC each day. As they enter any branch of the organization, they know they will be treated efficiently and fairly, as wanted customers. The customer orientation percolates down all the way from the corporate headquarters to the branches located at different places. To quote Deepak S Parekh; CEO, HDFC, who was conferred the JRD Tata corporate leadership award by ALMA for the year 1996: "A house is the biggest and single most important asset that a family buys, and it is for life. So, we have to be helpful."

This business philosophy coupled with good ethics catapulted HDFC into the leadership position in the home mortgage market, growing at 30 per cent on an average every year and adding to shareholder wealth.

- B. Ratan Tata (1993),** in an interview, said: "Ethics for Tatas means conducting business in a manner which is fair and just to employees, suppliers and shareholders, having a concern for the community in which one is operating. It would involve putting combined interests above personal gain or exploitation.

A similar view was echoed by Russey Mody, who was in Tata Steel for half-a-century when he said: "My values were fashioned by the House of Tatas. These were to so conduct your business that profit was not your only motive. The happiness of those



who worked in your business; a fair deal to customers who bought your goods; and efficiency in your job."

- C. Infosys Technologies Ltd:** "The peon of the company is worth Rs 6 lakh, and an executive, anywhere around Rs 25 lakh". Thus, reads the write-up on Infosys in Business India. This company is a dream employer for all its employees, thanks to the employee stock option plan in vogue. Every employee is made a partner in the common endeavour to achieve excellence in the software industry. No other fact testifies to this more than Infosys' annual sales revenue, which zoomed from about Rs 10 crore in March 1992 to about Rs 135 crore by March 1997 (i.e., in just 5 years)! One, we recognized that, to succeed, we had to operate to go public, we made sure that wealth is created within the business."

A transparent company to the core, Infosys became the first Indian company last year to prepare its accounts in compliance with US Generally Accepted Accounting Practices and Securities Exchange Commission disclosure norms; a step, indeed, towards attaining global-level transparency.

- D. Hero group:** Hero cycles entered The Guinness Book of World Records as the world's largest manufacturer of bicycles. The patriarch chairman, Brijmohan Lail Munjal, has come a long way in the last 20 years. From bicycles, he demonstrated his business acumen in a fiercely competitive two-wheeler market, and he has now set his eyes on the passenger car segment. Commenting on Munjal, Tejendra Khanna, former commerce secretary, once said: "His complete humility, humaneness and cordiality in dealing with all sorts of people - other businessman, government officials and employees - resulted in everyone wanting to help him. "Munjal was also one of the first to introduce just-in-time inventory and provide support to ancillary units. They provide support to ancillary units whose production is dedicated to Hero's requirements. Hero Honda, for instance, is recognized as one of Honda's best managed units outside Japan. The Japanese have found the highest rates of labour productivity in the world in all the Hero group companies.

- E. Alacrity Foundation:** This medium-sized property developer became a household name in Tamil Nadu in less than 10 years. The company has the courage to pronounce its business philosophy aloud - i.e., "it still pays to be honest".

Alacrity promises to develop, build and market residential accommodation without any black money, fulfilling all the taxation and legal requirements. The company gets all clearances for the title deeds, building permission, drainage, water and power without any bribes.

Incredible? That, too, in an industry riddled with corruption. The company strictly adheres to the delivery schedule and indemnifies the customer for delays beyond time delivery period.

- F. Maruti Udyog Ltd (MUL):** Just a few months ago, we had seen the biggest ever recall of cars in this country. The company concerned was MUL, and the product, the Maruti 800 passenger car. Of the Maruti '800s sold between January and April 1997, about 50,000 cars were recalled. The story goes like this: "In January 1997, Sona Steering's raw material supplier, Mukand Limited, supplied it low alloy steel dubbed SCM 415 for manufacturing the pinions. But due to an error at Mukand's stockyard, the batch of raw material consignment dispatched to Sona Steering was of a different grade of steel, which was not meant for pinion manufacturing". Fortunately, it was detected during the gruelling test drives the cars are subject to, and the whole batch of 50,000 cars has been recalled at the company's expense.

- G.** A look at the Indian corporate sector enables one to identify many more relatively bigger entities than discussed so far. Mention may be made of the Tata group companies, the Aditya Birla group, Choksi's Asian Paints, NDDB in the public sector, the TVS group, and many others. All these companies, known for their



distinct corporate philosophies, largely aim at sound business practices.

- H. Bad and Unethical Practices:** The list of companies that usually indulge in unethical business practices perhaps far exceeds the list of good companies. A few companies which could attain the dubious distinction of appearing in the business papers are presented here along with the kind of unethical practice the company was associated with - (the names of the company / group has been changed and fictitious name are used).

A Group: 'Between 1976 and 1986, the group floated half-a-dozen companies and raised about Rs 500 crore from the capital market. Its outstanding loans to the FIIS are estimated to be around Rs 700 crore.

The group's recipe for fast growth was - Raise money for an existing profitable company, start a new project, spin off the project into a separate company, and raise further money from the market for another new project.

B Group: The Hyderabad Stock Exchange recently delisted the B group for failing to submit its annual results. In a hurry to join the big league, the group started, in less than ten years, six companies, and drifted too far.

And as if that were not enough, it entered the newspaper industry, and conceived a mega cement project! As a result of such hasty decisions and over ambitious plans, the entire group is now languishing.

C Group: The less said the better about the C group, the rage of investors till a couple of years back. The group raised more than Rs 7,000 crore in the last five years, and went to the public for money ten times between 1991 and 1995. The shares of almost all the group companies are now quoting below par. Agro, Paper, Tea Gardens, Airlines, TV, Textiles, and what not. The group owes money to its suppliers and faces numerous court cases.

D.Shoes: Its owner was in the, news in 1995 for having misled the investing public. The company has not given a true picture to the investors regarding the share price movement of the existing company. The whole episode led to the subsequent arrest of promoter.

E.Group: Kabra was instrumental in wrecking the fortunes of about half-a-dozen companies he had acquired with much fanfare in the eighties. He is now busy facing investigations on FERA violations, piling up of debt and interest burdens, several raids, the ire of his senior galore that his main intention was to 'siphon off the funds from the acquired companies. All 'his' acquisitions do not have much left to cheer..

Many other scams , claims of a host of others engaged in teak plantations, violation of excise laws all point to how management, out of greed to make more money and achieve goals, take the various constituents of the company for a ride in the most unfair ways.

15.14 CREATING AN ORGANIZATIONAL CULTURE FOR ETHICS - THE TOOL TO PROMOTING ETHICAL CORPORATE BEHAVIOUR

Where does the solution lie? The practice of good ethics in various operational areas of business does not happen on its own. In companies where organization culture is strong, in terms of the top management's commitment to good business practices, open communication, share values, beliefs and norms for the good of all, ethics, obviously, take center stage, influencing the organizational behavior.

As Per Mordsjo, the global quality manager for Volvo Trucks, which is setting up a plant



in Bangalore, puts it: "Even if we have a truck which is 99 per cent assembled and holding up its full assembly, we will not use that part just to keep our delivery schedule".

Such pronouncements from the top functionaries of any organization obviously signify the company's commitment. Culture in the organizational context refers to the set of values, dominant beliefs and guiding norms of a people. It denotes 'mental programmes' shared by the members of an organization. A strong culture provides a basis for the productive ethos of an organization. Excellent companies rich in legends, anecdotes, a sense of pride, excitement and achievement orientation and a unique corporate folklore provide the basis for a strong culture.

Such a culture spearheads the company's commitment in respect to quality, reliability, customer service, employee welfare, etc. The concern for the values the company holds dear is diffused throughout the organization.

Kilmann, one of the prominent writers on organizational culture, views culture in terms of 'right' or 'wrong' – i.e., he holds that culture governs people's behavior in either the right or wrong direction. As organizations are viewed as systems composed of ideas, metaphors, myths, rituals and ceremonies, rich networks of legends and parables of all sorts pervade effective organizations.

Having understood the interface between corporate ethics and culture, let us examine the ways in which conducive culture can be fostered in an organization to promote acceptable ethical behavior.

Top management's initiative

Top managers have to serve as exemplary role modes for the young as the latter draw meanings easily from the behavior of their bosses. The 'superiors', through pronouncements, decisions, interpretations and communication, should demonstrate their disposition towards ethical business practices. Their role is crucial in developing and institutionalising creation of symbols, ideologies, language, beliefs, rituals and myths.

A summary of the research findings in this area made by Kao indicates how top management build a strong culture by:

- Creating, diffusing and sharing a vision of the organization's mission and purpose;
- Communicating openly, clearly and persuasively towards securing and sustaining shared perceptions;
- Providing an environment for supportive interpersonal relationships;
- Exhorting and coaching towards high standards of ethical behavior;
- Praising and recognising accomplishments of good behavior through symbols, rituals and ceremonies.

15.15 CASE STUDIES AND EXAMPLES ON ETHICS

EXAMPLE: Textile Engineering Company

The firm's practices are as detailed by one of the personnel officers. The company carefully scans the legal decisions and lists the offences in which dismissals will not be overturned by the courts. It is seen that violence inside the factory never gets any sympathy.

It marks its victim and asks a confidante to pick up a fist-fight with him. An inquiry is ordered. The confidant turns approver. The witnesses are cooked up. The marked man is found guilty and sacked. The state labour department is 'kept happy'. Sounds like a typical Indian movie but is nevertheless true to life.

(Source: Summarised from Rarnaswamy 1984: 72)



EXAMPLE: Dr. Jacqueline Verret

Dr. Jacqueline Verret (JV) was a scientist in the Food and Drug Administration (FDA) of America. She was working on the sugar substitute cyclamates. She found that chick embryo injected with cyclamates developed cancer, and held a press conference to release this information. As a consequence, a national television network sought her interview. She informed her superiors of the TV interview and assured them that it would not be conducted to cause panic.

Nevertheless, the FDA accused her of being unethical as the correct procedure would have been to publish her work in a scientific journal and subject herself to peer review. They felt that research on chicks did not necessarily mean that the results would be the same for human beings.

JV replied that publications in scientific journals take too much time and there was an urgent need to take action. FDA could not fire her as meanwhile a public outcry ensued, nor could they cut her budget as she had built up a reputation. But JV admitted that the press had unfortunately used panicky language. Nevertheless, it was the moral duty of scientists to keep the public informed without creating any panic.

Analysis for the reader

Can we see this in terms of only absolute ethics or also in terms of its consequences? If we think over the consequences, we have to realistically assess (a) the pressure that could be building on the FDA by asymmetry of information among the users, scientists and producers.

EXAMPLE: Murarka Market Research Consultants

Murarka hires Arun Menon, a fresh MBA, and puts him in charge of a major market consultancy contract. The consultancy was obtained by them on the assurance that it would be functioning more or less unsupervised as the partners had other international commitments. Arun is a novice and knows next to nothing. Should he tell the clients about this?

EXAMPLE: The Ultraviolet Ink

Usha, an executive in a firm of market research consultants, is assigned a massive postal market research of 30,000 respondents. The client Fas has been assured of a thorough job. Her boss Ram Saxena tells her this can be done only if she personally cross-checks with the respondents. This would require the names and addresses of the respondents to be recorded on the response sheets. But the client has said that as the products are for personal use, the respondents should be informed that their names would not be recorded. Saxena suggests that the names should be recorded in ultraviolet ink and decoded at the office. Usha is told that if the project goes through, both she and Ram would get a promotion. Should Usha agree to this?

EXAMPLE: Gita Garment Exports

Gita Garment Exports had a flourishing business exporting garments to the USA. Suddenly, the US administration banned the imports because they found that the garments, made of synthetic material, could cause dermatitis, a skin disease. Faced with this debacle, Gita Exports explored other markets and found that several African countries may like to import this product. The profits would be lower but the company would avert financial disaster. Should they export to Africa without confirming that there would be no risk of dermatitis?

EXAMPLE: Hyderabad Asbestos

Hyderabad Asbestos had two pricing policies which were investigated by the MRTP Commission (RTPE 1987 decided on 26 December 1980). The first involved very high variations in pricing between different order sizes. The second was that they sold below cost to the



public sector and the government (predatory pricing) due to excessive competition. The Commission allowed it to continue. As for discriminatory pricing, they instructed the company to follow uniform pricing with suitable discounts based on cost savings subject to the size of the orders.

EXAMPLE: Philips India

Philips India used to give the 'recommended price' in their price lists. This gave the impression that the product should not be sold below that price. The MRTP Commission (RTP 5 of 1978 decided on 26 September 1979) directed that the price lists should show the maximum retail price and the dealers should have the freedom to charge less.

EXAMPLE: The Statesman

The Statesman was offering concessional rates for advertisements published in all its issues. The MRTP Commission (RTP 53 of 1974 decided on 2 April 1976) decided that there should be separate rates for the Calcutta and Delhi editions, and the combined rates should not be less than 92.5 per cent of the individual rates.

EXAMPLE: Snowline Clothiers

Snowline Clothiers advertised an unusually high discount of 50 per cent. The MRTP Commission (UTP 13 of 1984 decided on 2 May 1986) ordered the following guidelines for the future:

1. The period of discount should not be less than ten days and should be mentioned in the advertisement.
2. The normal price of each category should be mentioned.
3. The quantity of the articles for the maximum and minimum discount should be mentioned.

EXAMPLE: The Grim Mother-in-Law

A masala (spices) advertisement shows the mother-in-law menacingly standing in front of her trembling daughter-in-law who is trying to pick up the right ingredients for cooking. She makes the inevitable mistake, to the glee of her mother-in-law. If only she had chosen this, masala powder, she would have got it all right - so goes the advertisement. Can mothers-in-law object to the stereotyping?

EXAMPLE: Deepak Ghosh and the Campaign Sale

Deepak's company had a special campaign sale in March 1995. Knowing this, Deepak held back the sales figures of January and February, and included these in the March figures so that he could get the bonus on the campaign sale. Since the campaign sale provided a special discount for the dealer, overall the company lost in the bargain. Had Deepak been ethical?

EXAMPLE: Rajesh Menon's Gift

This was Rajesh Menon's first job at HIPRO, a company which prided itself on its ethical standards. Rajesh had been inducted to this philosophy. Their sales targets were tight. At the year end, the only way he could meet the target was by gifting a clock to the purchase manager of the buying company. He decided to buy the gift from his own pocket as he was terrified of not being confirmed if he did not fulfil the target. Was he being ethical?

EXAMPLE: The Special Computers of HIPRO

Ram Kumar, a sales executive, had the best record for sales in HIPRO. He was very good at demonstrating his company's computers. He waxed eloquent on their ethics and their record of being the first computer company to get the ISO 9000. But he did not tell the clients that spare parts of their computers were non-standard and available only with them. Their systems also did not match others in the field. Consequently, other service



companies could not carry out their repair jobs. HIPRO's own service department had therefore a monopoly. Were Ram Kumar and HIPRO ethically upright?

EXAMPLE : Territorial Restrictions on Hindustan Lever

The dealership contracts at Hindustan Lever (HLL) contained restriction on the dealers selling outside their territories. HLL was encouraged to insert this restriction as the Supreme Court in an earlier case allowed such restrictions to TELCO. The MRTP struck HLL down (RTPE 1 of 1974 decided in July 1975). HLL appealed to the Supreme Court but the court upheld the decision of the MRTP Commission (Appeal Number 650). They clarified that the territorial restrictions for TELCO enabled better servicing of their machines and could not be extended to consumer articles like soaps and detergents.

EXAMPLE : Sangeeta's Cost Reduction Drive

Sangeeta, a company manufacturing consumer electronic products, found its market dwindling. Wishing to reduce its prices, it undertook a major cost-reduction drive. It came up with the idea of a new design for part X. Chandra, the GM Purchase, was given the task of negotiating the price with the vendor, within a ceiling proposed to Chandra. They wanted Chandra to also firm up the price. The part involved development of a costly mould by the vendor. Chandra painted a rosy picture of the firm's future production plans which he knew were not true. He also told the vendor that several others were eager to supply the parts to them. In fact, because of their poor track record of payments, suppliers were dropping off. Lastly, Chandra offered the vendor a price much higher than his current costs as encouragement, provided he held his prices. Chandra knew through inside source that the raw material prices for the parts were to increase sharply six months from now. He did not share this information with the vendor. This way he succeeded in clinching the deal with the supplier. Once the moulds were made, Chandra knew that the vendor was in his clutches, unless he cheated him by supplying the design to the competitor. Was Chandra being ethical and / or wise?

CASE : Madhulika Bose

Madhulika Bose was an MBA. She had specialized in marketing and market research. She joined Mudrika. Her referee, her ex-professor of ethics, was asked for a confidential report by Mudrika before she joined the firm. The report said, 'Madhulika is a competent market researcher with a good understanding of statistics and the statistical computer packages to analyze data. She has varied interests in life and had to be counselled often during her stay at the institute to concentrate on fewer things so that she does not cut corners. Guided properly, she can work reasonably hard. She has a soaring ambition for a bright career.'

Her first assignment on market research involved working with part-time field investigators whom she had to train. Soon after training them she told her immediate boss Ajay Dixit that they seemed to be very poorly paid for their work and that their traveling allowances were hardly enough to look after their basic needs. She felt that they were likely to avoid traveling and fudge their response sheets. They would need too much supervision which would be very costly. Ajay ridiculed her line of thinking and said that the rates were competitive and not less than what others paid.

When the response sheets started coming in, Madhulika found that many of them seemed to have similar answers. She told Ajay that she would like to supervise and recheck some of them by reinterviewing the respondents. Ajay had a look at the response sheets and so that this was not unnatural and could be quite representative of the population. He did not agree to her undertaking the tour to cross-check the response sheets.

A little later, she was surprised by a call from the Managing Director Ram Ambani who said that the clients wanted the report a fortnight earlier and that if she accepted the challenge she could get a promotion and could directly report to him. Madhulika said she would accept the challenge. She requested for a generous travel budget. Ram accepted to this request.



As she proceeded with her work, she realized that meeting the deadline was going to be difficult with the slow progress. She decided on a whirlwind tour to personally interview the respondents. Even then she found time overtaking her. She felt that the first sample of respondents she had interviewed herself confirmed Ajay Dixit's theory that the population was homogeneous. She argued with Ajay that the sample size could be reduced without any risk of coming to the wrong conclusions. Ajay, without referring to Ram, said that the client had specified a minimum sample size and so she could not change it..

Madhulika in a panic just cooked up the data for a large number of respondents. She satisfied herself that the clients would not be misled with wrong results. Ajay guessed the evidence of this fudging and reported it to Ram. 'Here is what your favourite has done,' he said with a sneer.

A furious Ram called up Madhulika. He knew that there was no time to cross-check and prove Ajay's accusation. But Madhulika confessed before he could verify anything. But -she said that statistically she was satisfied that no harm had been done and the client would get a sound and reliable report and in time. but Ram felt that his company would be in serious trouble if this were known outside. Moreover, his father the chairman was a moralist and would not tolerate this slip-up of moral behavior.

(This case has been discussed with some of the top market research organizations in the country and they confirm that the situation is a realistic one.)

Analyze for the reader

1. What do you think Madhulika should have done as a good professional?
2. Should Ram Ambani sack her?

EXAMPLE : The Barrings Case

Leeson, a young enthusiastic executive of Barrings Bank, was posted in the Singapore branch. He started with the less precarious arbitrage trading, where he made profits by using the difference in the price of security between different stock exchanges. It was just smartness and information-readiness that enabled him to make money. But then he moved over to derivatives. Call and put options, straddles, index options and naked options, instruments which could be used less transparently and more dangerously.

Lesson traded in derivatives with precarious stakes. More disastrously, he did not put the loss-making transactions through the account books of Barrings; the day of reckoning could wait till the dealing parties pressed for the related settlement. It was also suspected that on some occasions he misclassified cash transactions deliberately to stow them away under heads where they would not attract attention. Lesson was given the combined responsibility of trading and its accounting in the books. This was atrocious internal control, never done that way anywhere, 'like a school-boy grading his own tests'. It should have been plain to even a casual observer that losses were mounting as London had to send absurdly large funds to Singapore - 900 million - in a very short period to discharge pressing liabilities. Much earlier, in 1992, a Barrings executive had warned against trusting Leeson with so much authority with such little independent check. On 8 February 1994, the treasurer of Barrings, Anthony Hawes, assured a worried Singapore Exchange that Barrings would honour its liabilities. But Peter Barring, the Chairman, woke up to the disaster only after Leeson had fled from Singapore on 28 February. Such was his trust in Leeson or alienation from reality or connivance with the scam, depending upon what one would infer his unusual behavior. Barrings' losses were more than its capital and there was no way it could survive. Several people all over the world including the British royalty who had trusted their money to the bank had to face a financial disaster.

15.16 SUMMARY

The objective of this unit has been to make you aware of the various aspects and dynamics of organisational Ethics and Values. This unit raises various issues and tries to



provide probably solution as well. The unit has successfully explained the history of ethics, why to study business ethics, issues involved in it and discusses the reason for its importance in today's world. Discussing Indian Ethos and various theories this unit identifies ethical issues involved in various functions of management. Having told you about all the above issues the unit, towards the end, explains various quotable ethical practices in Indian Organisations.

15.17 SELF-ASSESSMENT QUESTIONS

- What do you understand by "Business Ethics", explain why is it so important in today's world?
- What are the theories of Ethics, describe in detail?
- Identify and discuss ethical issues in various functions of management.

15.18 FURTHER READINGS

Chakraborty, S.K. Ethics in Management Vedantic Perspectives, Oxford India.

Dabas, R.S., 1996. Article on Indian Ethos in Management. National HRD Network Newsletter. July,

Parikh, Jagdish. Managing Yourself. Management by Detached Involvement. India book Distributors.

Sekhar, R.C. Ethical Choices in Business. Response Books, New Delhi.

Swami, Jitamananda. Indian Ethos for Modern Management, Ramakrishna Ashrama. Vipassana Research Institute Igatpuri., The Art of Living. Vipassana Meditation.

Swami Anjaneya, G. Article on Organizational Culture Published in Indian Management.