
Ethical Organization and Employees

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ABSTRACT

Managing ethics in the work place is all about how the values, ethics and moral principles are essential to sound decision making. In looking for an answer, it was found that while organizations do indeed have values, ethics and moral principles, these are not communicated in a code of ethics and may in fact be quite different what the code of ethics might lead to. While it would be ingenuous to think that ethical behavior within an organization can be changed simply by posting a list of high sounding principles, it is equally naïve to imagine that the ethics of an organization” just happens and there is nothing to be done about it. Ethical behavior in organizations can be encouraged in a number of ways, most of which are executed by the HRM department through its roles in training, communication and discipline. Some big corporations that are ethically committed assign the primary task of managing and monitoring ethical behavior to their HRM department. This original research paper explores the ethical practices in organizations and the study of employee ethics. The objective is to extract important factors that determine ethical behavior and perception. Survey was conducted in 10 organizations by using questionnaires and personal interviews (schedule) to study the same. This empirical research would include descriptive statistics, content analysis, Wilcoxon test and perceptual maps to study the ethical aspect of the selected organizations. At the level of the society, this study is intended to test whether CSR is for societal purpose, brand building or avoidance of government intervention. Whether following the code of ethics in the organization and internalization of CSR leads to an ethical organization? If the answer to these questions upon completion of this study turns out to be in the affirmative it would hopefully give a strong stimulus to studies in this area and the insights gained from the exploration of these questions would also help to devise a number of intervention strategies for implementing in actual business organization. It is hoped that this study would fill a part of the gap that exists in literature regarding the relationship of ethics and business.

Key Words: Ethical organizations, Employees, Survey.

1. Introduction

An expanding economy is causing problem to the human resources departments of almost all companies. HR heads say top-level functions now take much longer to fill. Even a decade back, inter-industry movement was not common. But now, with sectors such as retail and telecom booming, talent flows freely across the business spectrum.

Unless it's a specific function, the talent hunt is for general management skills more than the domain knowledge. Among the general management skills, leadership is the ability to inspire confidence and support among the people who are needed to achieve organizational goals. The ability to lead others effectively is a rare quality. It becomes even rarer at the highest levels in an organization because the complexity of such positions requires a vast range of leadership skills. This research presents a study of ethical and moral behaviors, all centering on the idea that a leader should do the right thing rather than setting things right. Five ethical leadership behaviors are honesty and integrity in dealing with others, striving to treat fairly all stakeholders, building community, respecting the individual and accomplishing silent victories. This study would use the instrument for assessing employee perceptions of leader integrity. Recent evidence suggests that high ethics and social responsibility are related to good financial performance. According to the International Business Ethics Institute, socially responsible behavior does enhance profits. The deontological approach is based on universal principles such as honesty, fairness, justice, and respect for persons and property. Leaders who ascribe to this view of ethics would therefore feel compelled to use merit as basis for making human resource decisions. According to research and opinion, managing for diversity also brings the firm a competitive advantage. An ethical leader manages diversity well and unlocks the potential for excellence.

2. Literature Review

Managing ethics in the work place is all about how the values, ethics and moral principles are essential to sound decision making. In looking for an answer, it was found that while organizations do indeed have values, ethics and moral principles, these are not communicated in a code of ethics and may in fact be quite different what the code of ethics might lead to. While it would be ingenuous to think that ethical behavior within an organization can be changed simply by posting a list of high sounding principles, it is equally naïve to imagine that the ethics of an organization just happens and there is nothing to be done about it. Explicit elements of a corporate ethics program include the things which an organization says it believes in, and the efforts made to communicate those principles directly. One observation is that most of the text in these codes is concerned with the duty and the responsibility of the employee to the company. Put more strongly, it seems that the most common purpose of a corporate code is to protect the organization from the unethical behavior of the employees. The terms "code of ethics," "code of conduct" and "code of practice" are often used interchangeably. It is useful, however, to distinguish among these terms in order to establish a basic typology. Each basic code has a different intent and purpose. Code of ethics is statements of values and principles which define the purpose of the company. These codes seek to clarify the ethics of the corporation and to define its responsibilities to different groups of stakeholders as well as defining the responsibilities of its employees. These codes are expressed in terms of credos or guiding principles. Such a code says: "This is who we are and this is what we stand for," with the word "we" including the company and all its employees, whose behavior and actions are expected to conform to the ethics and principles stated in the code. Codes of practice are interpretations and illustrations of corporate values and principles, and they are addressed to all the employees as individual decision maker. In effect, such a code seeks to shape the expression of the corporation's stated values through the practices of its employees. Code of conduct are statement of rules, which states, this is how one Organization expects one to behave.

It is interesting to note at this point that recent research has found no significant correlation between corporations having a code of ethics and a reduction in ethical violations. One need to find is there a problem with implementation, or a problem of training or the code is badly written? It may well be that the failure of the explicit components to produce results is the result of their having to fight an uphill battle against the implicit components. If the goal is to produce behavior which is in line with the explicit values, principles and ethics of the organization, then congruency between the explicit and implicit components of the ethics program is essential. Many changes have occurred in the workplace over the years as employees and employers have developed new relationships that reflect changing interests and concerns. Changes have taken place relative to the place of work in people's lives and in the way in which they understand this activity. One of these changes involves the rise of ethical leadership. Related to these changes is the way in which the contract between employers and employees is changing in the workplace. One of the most fundamental issues in the current scenario of globalization in India revolves around leadership. After a careful study of existing empirical studies related to leadership and decades of research on leadership, we are left with bewildering mass of findings related to leadership. Without a powerful modern philosophical tradition, empirical cumulating, guiding principles and practical experiences, we lack the very foundations to understand leadership. A social responsibility initiative that directly affects people's well-being is to create a comfortable, pleasant, and intellectually stimulating work environment. People invest about one-third of their time in work, a pleasant work environment increases the chances that their life will be enriched. Also, career oriented people derive much of their meaning and satisfaction from their career. The modern leader must be multicultural because corporate success, profit and growth depend increasingly on the management of a diverse work force. A multicultural leader is a leader with the skills and attitudes to relate effectively to and motivate people across race, gender, age, social attitudes and lifestyles. Ethical leadership means how to manage in a cultural diverse workplace by understanding key dimensions of differences in cultural values, managing the influence of cultural values on leadership style and applying a motivational theory across cultural groups. Global leadership skills help improve a company's reputation and contribute to a sustainable competitive advantage. Behavioral complexity helps a leader attain high organizational performance. Leadership has increasingly become a perception game, increasingly influenced by how recent and newsy the images accompanying it are. Consider the case of Enron, the most spectacular collapse in 50 years of business history. Ken Lay, its chairman, was once lauded as a pioneer and visionary who transformed a sleepy gas-pipeline company into an energy behemoth. Not anymore. There are companies in all countries, India no exception, which are perceived much like Enron once was – successful but crooked. There is admiration for their dynamism and leadership, but there is also a deep and unproven suspicion about their methods. Leadership is like an iceberg. The media, analysts and the general public see only its tip, that which rises above the water. If this part looks shapely and interesting, they put it on a pedestal. Great leaders, on the other hand, go to work at the base of the iceberg a cold, dark and uncomfortable place – chipping away at and blasting the foundation in an attempt to renew or modify the structural framework of the organization. To outside observers it might well appear that nothing much is happening, but great leaders do what they have to without regard to appearances, because they genuinely believe that theirs is but one lap in a relay race. Outstanding leaders are anointed long after their work is done, not three months after they become CEOs.

The Best Companies to Work for in India are Indian IT companies, according to a joint study conducted by Mercer Human Resource Consulting, the world's largest HR consulting firm;

Business Today, India's number one business magazine and Taylor Nelson Sofres (TNS), a leading international market research firm. In the BT-Mercer study 2006, Infosys emerges as the Best Company to work for in India, Mindtree Technologies is ranked second and Satyam third. In the sixth annual Business Today Best Companies to Work for in India survey and the third year that the BT-Mercer-TNS team has collaborated to identify the best companies to work for in India. The survey recorded a phenomenal 75% increase in participation from the previous year and a total of 131 organizations registered for the survey. In the survey, meaningful work and rewards, greater control over careers, increased focus on learning and development and individualized attention emerged as the key expectations of employees from organizations. The winners of the survey are companies who have made substantial investment in their people, infrastructure, facilities, technology and evolved HR systems. Stock options, flexi-timings, telecommuting, redressal and grievance committees, customized training and development opportunities, career management control and empowerment seem to be standard affair at these organizations. Most companies in the top ten have leveraged technology and have built truly integrated HR systems and processes. This in turn, has benefited and empowered employees who get access to information related to HR policies, performance management review, training needs and career planning tools, online. The winning organizations have built a strong culture which reflects the values that the company wishes to inculcate in its employees. Communicating these values has gone beyond posters and employee manuals and senior management including the CEO of a winning organization personally facilitates the integrity session as part of the induction program for new employees.

Another interesting finding has been the inclusion of medium size organizations in the top ten rankings, reiterating the fact that investment in strong HR policies and employee development are not restricted to the "employee bloomers" -- organizations with more than 5000 employees, alone. "We at Business Today are proud to have pioneered the Best Companies to Work for study in India. It not just captures the best practices in people management, but also drives home how companies are addressing their single biggest challenge today, which is recruiting and retaining talented people," Sanjoy Narayan, Editor, Business Today said. Commenting on the survey results, Padmaja Alaganandan, Principal Consultant, Mercer Human Resource Consulting said, "One noteworthy finding is that the differential between the top ten employers is clearly narrowing down and others are catching up fast. It is heartening to see that people management practices and HR systems have evolved in the last few years and have reached a much higher degree of sophistication, integration and innovation. Another interesting finding is that organizations are building an employer brand that goes beyond the four walls of the organization and encompasses the employees' families, alumni and the community at large." Padmaja Alaganandan, Principal Consultant, Gyananjan Kaur, Consultant and Saaket Arora, Consultant, from Mercer India's National Capital Region office and part of the Human Capital business, led the study team at Mercer. The research program of Micheal Deck examined more than 70 Canadian companies over the last 10 years. The data studied, made it clear that the managers of successful companies no longer regard shareholders as the sole and necessarily most important stake holders in the company. The concept of shareholders endowed, with a right to the maximization of profits is being replaced by the concept of stakeholders, of which shareholders comprise only one group. The shareholder is no longer the only stake holder.

3. The Need for Ethical and moral leadership

Enough attention has been paid to what leaders at all levels should do that some principles of ethical and moral leadership have emerged. Ethics is the study of moral obligations, or of separating right from wrong. Morals are influenced by a person's values. Ethics becomes the vehicle for converting values into action. If a leader values fairness, he or she will evaluate group members on the basis of their performance, not personal equations. In this section the paper will deal with leadership behavior, managing cultural diversity and applying a motivational theory across cultural groups.

3.1 Leadership Behaviors:

Integrity

Integrity refers to loyalty to rational principles; it means practicing what one preaches regardless of emotional and social pressure. Trustworthiness contributes to leadership effectiveness. A perception that high –ranking business leaders were untrustworthy contributed to the spectacular decline in the stock prices during 2000-2002 periods. In its April 2001 issue, Fortune magazine called Enron, then the seventh-largest company in the United states, the” most innovative” company in America. Six months later December 2, 2001, Enron filed for bankruptcy, the outcome of what has been called the greatest accounting fraud of the 20th century. The founder Kenneth Lay, even after learning about accounting irregularities, announced to employees and investors that future growth of the company was certain and they should keep investing in Enron. Resulting in, destroying the careers of thousands of its employees.

Responsibility towards stake holders

An ethical leader strives to treat fairly all interested parties affected by his or her decision. To do otherwise created winners and losers after many decisions are made. The primary responsibility of a leader is to maximize shareholder wealth with paying attention to all stake holders.

Build community

Leaders need to take into account their own and followers' purposes and search for goals that are compatible to all. When many people work toward the same constructive goal, they build community. There are still millions who only dream of schools. ITC is helping some of them realize this dream. For every Classmate Note book sold, ITC contributes Re 1 to its rural development initiative that supports, among other projects, primary education in villages. Here the entire sales and marketing team is motivated to work in the direction of fulfilling a social responsibility.

Respect the individual

Respecting individuals is a principle of ethical and moral leadership that incorporates other aspects of morality. If the leader tells the truth, he or she respects others well enough to be honest. If the leader keeps promises, he or she also shows respect, if the leader treats others fairly, he or she shows respect.

Accomplish silent victories

The ethical and moral leader works silently, somewhat behind scenes. The moral leader quietly works on an ethical agenda. Quite often he or she will work out a compromise to ensure that a decision in process will have an ethical outcome. Infosys employs over 58,000 people worldwide.

The founder Mr. N.R. Narayan Murthy is a fervent believer in globalization. His approach towards ethical leadership has been no less influential on most dynamic and successful companies.

4. Managing Cultural Diversity

According to research and opinion, managing for diversity also brings the firm a competitive advantage. Here we review evidence and opinion about that competitive advantage. Reduction of turnover and absenteeism costs. As organizations become more diverse, the cost of managing diversity properly, increases. Turnover and absenteeism decrease when minority groups perceive themselves as receiving fair treatment. Managing diversity well offers a marketing advantage. A representational work force facilitates selling products and services. A key factor is that a multicultural group of decision makers may be at an advantage in reaching a multicultural market. At least one member of the multicultural group may be able to focus a marketing strategy to demonstrate an appreciation of the targeted audience. Attracting and retaining talented people. The companies with a favorable reputation for welcoming diversity attract the strongest job candidates among women and racial and ethnic minorities. Heterogeneity in the work force offer creativity advantage, problem solving and decision making. Good leaders realize that when it comes to problem solving and challenges, a diverse work group brings a variety of perspectives, backgrounds and experiences, which can lead to creative and innovative outcomes.

4.1 Applying a Motivational Theory across Cultural Groups

A practical way of understanding how cultural factors influence leadership is to illustrate how motivation theory might be applied to different cultural groups. Two aspects of motivation theory apply across cultures, where as other aspects like training must be modified. The two aspects of expectancy theory are (1) Environmental control; (2) Appropriateness of rewards. Environmental Control. The reasons that people in individualistic societies become committed to organizations are quite different from those of people in collectivist societies. Employees with collectivist values commit themselves to the organization more because of ties with managers and co-workers than because of intrinsic job factors or individual incentives. The duty of a leader is to apply models where all employees have committed common goal. Appropriateness of Rewards. Expectancy theories are universal because the motivator must search for rewards that have valence for individual employees. The Challenge is to find which rewards are effective in the particular culture. A study conducted in a cotton mill showed different expectations for rewards. The ninety-nine weavers from different shifts, expected praise and recognition as rewards, some expected they top-grade fabric they produced as rewards, still others expected participation in decision making as reward. A judicious combination of all these resulted in increased production. Perhaps participation in decision making is perceived as negative in many work culture; and this is where training takes the role of leader. Principles of ethical and moral

leadership all center on the idea that a leader should do the right thing, as perceived by a consensus of reasonable people. Initiatives for achieving an ethical and socially responsible organization includes (a) leading by example, (b) establishing written codes of conduct (c) developing formal mechanism for dealing with ethical problems, (d) accepting whistleblowers and (e) above all providing training in ethics. Another way a leader can be ethical and moral is to spearhead the firm, or unit, toward doing good deeds by being socially responsible. Socially responsible acts can be (a) creating a pleasant work place, (b) reducing and bridging disparities in income within the organization, (c) safe-guarding the environment and (d) engaging in philanthropy.

Ethics training can ensure that everyone in the organization (1) recognizes situations that might require ethical decision making; (2) understand the values and culture of the organization; and (3) is able to evaluate the impact of ethical decisions on the company in the light of its value structure. The fundamental basis of corporate governance and responsibility in the value system of the corporation includes the following:

1. Its human resource principles—respect and dignity for all
2. Its dedication to accurate and transparent accounting and financial standards
3. Its concern for the environment, for good business ethics and conduct, and for social advancement
4. Its over-riding passion to serve customers and to guarantee its products and services
5. Its insistence on fair treatment of suppliers and competitors
6. Its uncompromising commitment to comply with government laws and regulations in all countries where it operates; and
7. Its desire to work with others to lead the society to a better economic standard and quality of life.

Corporate governance enables corporations to perform efficiently by preventing fraud and malpractice. The ‘Code of Best Conduct’, policies and procedures governing the behavior of individuals of a corporal form part of corporate governance. This enables a corporation to compete more efficiently in the business environment and prevents fraud and malpractices that destroy business from inside. Failure in management’s best practice within a corporation has led to crises in many instances. The Japanese banks which made loan to property developers that created the bubble economy in the early 1990s, the foreign banks which granted loans to State-owned enterprises that became insolvent after the Asian financial crisis in 1997, and the demise of Barings bank are examples of managements not governing the behavior of individuals in the corporation leading to their downfall.”With enabling features and characteristics, corporate ethics can thus be described as the basic foundation on which an ethical organization can be raised.

4.2 The role of Corporate Culture

Ferrel et al.’ define the term corporate culture as a set of values, beliefs, goals, norms and ways of solving problems by the members of an organisation. Corporate culture can be created by a

founder of the comp based on his or her values and expectations. In the Indian context, Jamsetji Tata founded the Tata industrial conglomerate with his humanistic and philanthropic values, and till date his successors like J R D Tata and Ratan Tata have followed his footsteps in evolving the distinctive Tata industrial ethos and culture. Likewise N. R. Narayana Murthy of Infosys has seen that the information technology company he founded and nurtured embraced an ethical value system that made it one of the best organizations in the country even as it added feathers to its cap as one of the top and most successful IT companies in the country. If the MD or CEO sets the tone and tenor of corporate culture, it easily moves down to the lower level. People pick up the values and try their best to follow them. They know what is acceptable and what is not in the organization.

It is reported that Azim Premji, founder and chairman of Wipro Technologies, emphasizes a great deal on the integrity of his employees and ensures that it pervades every sphere and work in the organization. He also sits for long hours with the top management consulting and motivating to ensure this. He spends a considerable amount of time along with his team to recruit senior executives whom he considers men of integrity through their thoughts and deeds. In most organizations, senior posts are filled by people who are home-grown and are imbued with the culture of the company. Each firm tries to develop its own corporate culture based on the values its founder wants to transmit in the work place. Rank outsiders who have worked in other organizations may have acquired values that are different and may take a long time to acclimatize themselves to the new culture, or if they are senior enough in the organization may influence others working under them to form a sub-culture that may not gel with the overall culture of the organization. This is the logic behind ethically bent organizations; generally preferring to nurture and grow men and women imbued with values they cherish to staff their divisions. Organizations also observe their legal responsibility by complying with the law of the land established by governments to set minimum standards for responsible behavior. Such laws relating to business regulate competition, protect employees and consumers, promote safety and equity in places of environment from capricious destruction, provide incentives and prevent misconduct. Perhaps people and significant aspect of a firm's social responsibility is philanthropy. Research has analyzed various factors that contribute to the creation of an ethical organization such as corporate and corporate citizenship both of which are to some extent guided by outside influences including government and regulators who not only provide guidelines but also penalties in case of infractions or wrongdoings. But there are certain steps that a corporate can initiate internally, which will go a long way in ethical organization. Ethical or unethical behaviors of individual employees are influenced in the context of the workplace both by their own moral development and the influences that the organizational culture exerts on them. They are influenced by a plethora of forces that surround them—their peers, their supervisors and superiors, the reward system, group norms, company values and policies and the manner of their implementation. Ethical behavior in companies can be encouraged by a number of ways. The human resources management (HRM) department of a company plays a pivotal role in ensuring this through its role in training, communication with workers, and in its manner of enforcing discipline in the organization. Ethical behavior in organizations can be encouraged in a number of ways, most of which are executed by the HRM department through its roles in training, communication and discipline. Some big corporations that are ethically committed assign the primary task of managing and monitoring ethical behavior to their HRM department. In some others, there may be ethics officers who are entrusted with the responsibility to bring in ethical

behavior of their organizations. Whichever agency is entrusted with the task of enforcing ethical behavior in organizations, a sound ethics program should include the following six components:

- Formal codes of conduct;
- Ethics committees formed with a view to developing ethical policy for the organization and also investigating ethical infractions by employees;
- Ethics communication system that would include the facility for employees to post queries, get advice, or report any wrongdoing;
- An ethics office with officer(s) to oversee the process and facilitate the communication of the policy to employees;
- Ethics training program meant to make workers conscious of ethical issues that are likely to arise in place of work; and how to deal with them effectively;
- and a disciplinary system that would ensure prompt, decisive and impartial dealings with violations.

4.3 Codes of Conduct

Several companies that have vowed to implement ethical behavior at their work places have started the process with developing and implementing codes of conduct for their employees. Codes of conduct are statements of organizational values that comprise three components, namely, a code of ethics, a code of conduct statement of values. A code of ethics is an exhortation to employees to observe ethical norms and fort for rules of conduct. A code of ethics is often inspirational and comprehensive enough to cover the entire scheme of organizational ethics expected to be followed by everyone in the company. It usually ‘specifies methods for reporting violations, disciplinary action for violations and a structure of the due process’ to be followed. A code of conduct is a written document, inspirational in content and specifies clearly what is acceptable or behavior at the workplace and beyond, when employees represent their organizations outside. Generally, the code is worked out with the active involvement of top management. It should reflect the managements’ desire to incorporate the values, rules, and policies of the firm, the compliance of which will ensure an environment in the organization. A statement of values is one that is conceived by the management general public, and normally addresses the stakeholder groups. It should be emphasized here that though a distinction is normally made between these code of ethics, a code of conduct and statement of values—they are often used interchangeably. In India, all major companies have developed their codes of conduct after the publication of Code by the Confederation of Indian Industry (CII) in 1998. Tata group of companies, Infosys, Hindustan Uni Lever Ltd, Wipro Technologies Ltd. ICICI, HDFC, Cummins India, Ranbaxy, Dr Reddy’s Lab, Orchid Chemicals and Pharmaceuticals Ltd and the Birla group of companies are some of the prominent corporations that have adopted codes of conduct for their employees.

4.4 Ethics Committees

Ethics committees are formed in many organizations that are exclusively devoted to the pursuit of their work places. These committees may raise concerns of ethical nature, prepare or update code and resolve ethical dilemmas in companies. These committees may formulate ethics policy, develop standards, and in the context of these norms, evaluate the company's compliance with them. Members of the committees should be well chosen, if they are to serve any useful purpose in organizations. They should be well posted with the knowledge of their industry, their codes of ethics and community standards. There are a few constraints with regard to the organizing; development and usefulness of ethics. These are not as popular as they ought to be, as formalized structures to deal with ethical issues. Very few corporations have convinced themselves to appoint such committees, though almost all of them have with finance, personnel, remuneration and even CSR. Another problem is their being misused by people, to serve their interests, or to legitimize their 'ethical' standards on some issues. More often, members to these committees may pose serious problems.

Committee members should be selected objectivity and unwavering commitment to ethical standards and they should also be conscious of culture and ethical conscience of the organization. Ethics communication systems play a crucial role in making an ethics program successful. If an organization keeps the various facets of the program under the bushel as it were, it will serve no purpose. Ethics communication systems should allow employees to make enquiries, get advice if needed, or report wrongdoing. It is absolutely necessary to have a system in place to communicate and educate employees about the company's ethical standards and policies. The objective of the ethics communication system should be (i) the company's values and standards of ethical business conduct to employees; (ii) provide information to employees on the company policies and procedures regarding ethical business conduct; (iii) put in place processes to help employees obtain guidance and to resolve questions regarding compliance with the firm's conduct and values; and (iv) establish means of enquiry such as telephone hotlines, suggestion boxes and email facilities for employees to get in touch with and get advice from competent authorities. It is also ideal to have one of these facilities available to allow anonymous contact, where and when required. Apart from these means of communication within the organization, there are other avenues that can be used to communicate a firm's moral standards to its workforce. Top management people can communicate with managers at the operational level, such as in production, finance and marketing and enforce standards within the organization. If the organization has a newsletter, it can be used to publicize the code or statement of ethics. Since this internal medium of communication has an extensive reach within the organization, it is an effective means to get the message across. Business is all about results. Results arise from opportunities. Opportunities arise from relationship. Business relationships must work beyond the boundaries of achievement to distinguish a good workplace from a great one. In its latest edition of "India's Best Companies to Work for -2009", The Economic Times in partnership with the Great Places To Work Institute, attempts to do just that. In a slump year, the study gains all the more significance with companies embarking on interesting innovations to maintain the often elusive top line and bottom line growth. It clearly demonstrates that some of these companies are investing in their employees and nurturing human capital. When compared to the top 100 companies in the US, the top 50 Indian companies are not far behind. A wide swathe of metrics, from corporate governance to work-life balance and from empowerment to equity, offers axiomatic proof. Without doubt, the study highlights that India can only grow if it

leverages its human and intellectual capital. A complex world grapples with high levels of stress; workplaces need to reinvent themselves –responding to people’s needs over profit-taking, values over market. Many companies can ill afford such policies and are cutting core benefits such as health insurance and pensions in an era of global competition. But many companies have found that helping employees resolve work and family conflicts boosts morale and increases productivity. Thus, there can be a positive bottom –line impact when companies have programs that are well conceived and implemented and are geared to employee needs rather than organizational rigidities. The single biggest increase in ethical perception about companies by employees is for the dimension fairness. The employees said that their employers are fair employer where managers avoid playing favorites, and people avoid playing favorites. The employees feel that Management does a good job of attracting talent for key positions only when the organization is perceived as ethical.

5. Objectives of the Study

- To explore the ethical practices in organizations and the study of employee ethics.
- To find the opinion of corporate professionals about ethics in advertisements.
- To study the practice of CSR.
- Attempt to extract important factors those determine ethical behavior and perception

5.1 Research Methodology

This explanatory research focuses on the actual perception and belief of Indian employees in their work place.

5.2 Research Design

Survey method was considered most appropriate for this research. Survey was conducted by using questionnaires and personal interview (schedule) method.

5.3 Methods and Tools of Data Collection

A covering letter was sent to CSR heads, HR heads, marketing heads and managing director, as the case would be .This was required to seek permission for interviewing the professionals and approval of the questionnaire before administering them in the organization. Once the department heads were convinced with the purpose of the interview or the questionnaire, the structured questionnaire was approved and the researcher was allowed to interview. Only in case of certain specific function heads, personal interviews were conducted by the researcher. The researcher has taken 660 respondents. The source of data is primary.

5.4 Sampling

The study was carried out in Eastern and Southern part of India. Kolkata, the capital of West Bengal , Jameshedpur, and Bengaluru, the capital of Karnataka were the main geographical areas of study. In case of the professionals/ employees, the population was defined as professionals in organizations across different sectors, like FMCG, manufacturing, software and service industry.

These sectors were chosen for the study of, practice of ethical code and CSR internalization. After getting approval from different organizations, 10 organizations were chosen. A total number of 660 respondents participated in the interview. A total of 17 senior managers, like HR heads/ CSR heads/ Managing Director could be interviewed. The other respondents from the corporates were all professionals in the managerial and executive level, with at least 1 year of service in the organization. A major factor that was considered critical was the ownership of the organization. Keeping the variables of questionnaire II in mind, privately managed organizations were taken. An effort was made to include enough women executive, because women are one of the variables of the study.

5.5 Scales

Due to the non-availability of any psychometrically sound measures to access the individual cognition, ethical frameworks and decision-making behavior, a preliminary study was conducted to test, develop and validate the measures of business ethics and ethical framework. Actually a five point scale is used for the study. At one extreme of the scale there is strongly agree or to agree to a great extent and at the other, is strongly disagree or to a very little extent. Each point on the scale carries a score. Response indicating the least favorable degree is given the least score (say 1) and most favorable is given the highest score (say 5). Cronbach's coefficient alpha was conducted to test the internal consistency and reliability of the scales, the result of Cronbach Alpha shows that the scale is highly reliable and hence the scale is adopted in the final study.

5.6 Data Analysis

After data was collected, a thorough check was given, to include only those questionnaires that were complete in all aspects. The data was transferred to excel sheets and tabulated. Data is analyzed using Mean, Standard deviation and standard error. For inferential statistical analysis, t test and Wilcoxon test is used and finally factor analysis has been used for factor extraction and Perceptual Maps. These data are treated with the statistical techniques of descriptive statistics, Factor Analysis, t-test, z test and Wilcoxon test and perceptual mapping (through factor analysis) using the help of the SPSS 13.0. For the descriptive questions, content analysis technique is used. Kaiser –Mayer Olkin test otherwise known as KMO test is a measure of whether the distribution of values is adequate for conducting factor analysis. A measure less than 0.5 are unacceptable. Higher values of KMO are meritorious. The Perceptual Maps are based on Loading Plots. The frame work developed in this research provides an opportunity to examine to what extent the step by step methodology has been implemented in organizations as well as alternative approaches for implementation.

5.7 Results and Discussions

The following discussion would elucidate the respondents' opinion about an ethical organization and practice of ethics

Table 1: Profile of Respondents

Age	MEN	WOMEN
Less than 25	70	16
25-35	290	48
35 and above	200	36
Years of service in the Organization	MEN	WOMEN
1-5 years	268	65
6-10 years	245	25
Above 10 years	47	10
Category of Organization	MEN	WOMEN
FMCG	89	20
Service Industry	102	18
Manufacturing Industry	183	17
Software Industry	186	45

Content analysis of the questionnaires gave the actual practice of code of conduct in the work place. The response of the respondents is given below.

Table 2: How the code of ethics is distributed?

At induction and available to all employees at all time (taken together)	384
To any one who asks	152
Available only on Web site	124

Table 3: The code of ethics contains

Value statement	172
Code of conduct	175
Both	508
Unaware	48

To study what determines the practice of Ethical Values, the following factors were considered. (1) To maximize profit should not be the single most important goal of business,(2) Advertisement content of TV should not be under the control of advertiser,(3) It is not proper to

quote wrong claims about a product's usefulness,(4) Most business firms make a sincere effort to adjust complaints fairly,(5) The average consumer would be willing to pay higher prices if the brand contributed towards social responsibility,(6) Reputation of an Organization depends on honesty/responsibility towards customers,(7) Rewards and Promotions in this organization is directly linked to performance,(8) My coworkers support me in following my organization's code of conduct,(9) Misleading advertisements should be banned,(10) Confidentiality of organization information is above all ethical values.

Table 4: The code of ethics contains

Practice of Code of Conduct Statement	Yes	No	Unaware
Does the organization have written document outlining the organization's values and principles?	480	97	83
Does the organization provide employees with a way to report misconduct anonymously, without giving their names or other information that could identify them?	454	136	70
Does the organization have a formal policy to protect employees who report ethical or legal violations?	419	194	47
During the past year, was any conduct that violated the organization's code of ethics and standards observed?	150	464	46
Observation of misconduct was reported to management or another appropriate person.	147	513	_____

Respondents were asked to rank the statements according to their preference on a scale of 1-5, with 5 for strongly agree and 1 for strongly disagree. The mean score of, to what extent the respondents tend to agree or disagree is given in the table below. The Cronbach's alpha test was conducted to measure the internal consistency of the scale. The Cronbach's alpha coefficient of 0.809 shows the reliability of the scale used for descriptive statistics analysis and also factor analysis.

Table 5: Practice of Ethical Values

DETERMINANTS OF ETHICAL VALUES	MEAN SCORE
To maximize profit should not be the single most important goal of business	4.3227
Advertisement content of TV should not be under the control of advertiser	3.6045
It is not proper to quote wrong claims about a product's usefulness	4.3682

DETERMINANTS OF ETHICAL VALUES	MEAN SCORE
Most business firms make a sincere effort to adjust complaints fairly	3.4182
The average consumer would be willing to pay higher prices if the brand contributed towards social responsibility	3.6119
Reputation of an Organization depends on honesty/responsibility towards customers	4.6727
Rewards and Promotions in this organization is directly linked to performance	4.1409
My coworkers support me in following my organization's code of conduct	4.3136
Misleading advertisements should be banned	4.5500
Confidentiality of organization information is above all ethical values	4.0227

The mean score is highest for the statement; reputation of an Organization depends on honesty/responsibility towards customers. The score of 4.67 indicates that employees more than agree with the statement. It has been observed that even, employees believe that most business firms do not make sincere efforts to adjust complaints of consumer. A score of 3.4 means employees tend to agree but strongly they do not agree on the statement that all consumer complaints are taken care of.

The respondents of these organizations also tend to agree (3.6) that advertisement should not be under the control of the advertiser. The respondents strongly agree (4.5) that misleading advertisement should be banned. In order to cover the research purpose and come to a conclusion of employees' opinion about an ethical organization/ practice of ethics, some research hypotheses were formed. The opinion can be very subjective, as the research focuses on the opinion of the employees. By opinion the researcher means judgments employees make about the practice of ethics in the organization or what they feel is the general practice.

Table 6: Hypotheses testing and conclusion

Hypotheses	2 tailed tests (P value)	Accepted/Rejected	Wilcoxon Signed Ranks Test	Conclusion
Organizations do not make wrong claims to maximize profit	0.376	Hypothesis rejected	Positive ranks of profit maximization higher than negative ranks	Organizations sometimes make wrong claims to maximize profit

Hypotheses	2 tailed tests (P value)	Accepted/Rejected	Wilcoxon Signed Ranks Test	Conclusion
Rewards and promotions in the organizations depend following the code of conduct.	.000	Accepted	Positive ranks of rewards are linked to performance is higher than negative ranks	The organization recognizes talent and performance and rewards accordingly
Following the code of conduct by the employee also includes maintaining confidentiality of organization information	.000	Accepted	Tied Ranks of maintaining organization confidentiality and following the code of conduct is the higher than positive or negative ranks	Following the code of conduct also means maintaining confidentiality
There is a need to regulate misleading advertisement as reputation of an organization depends upon honesty towards customers.	.000	Accepted	Tied ranks of reputation of an organization depends upon honesty to customers is higher than positive or negative ranks	Organizations should not make false claims or have misleading advertisements as this affects the reputation of the organization
Most business firms should make sincere effort to address complaints as reputation of an organization depends upon responsibility towards customers.	.000	Accepted	Positive ranks of addressing consumer complaints is more than maintaining the reputation	Honesty and reputation of an organization depends upon addressing consumer complaints
Profit maximization is not the single goal of business even if the consumer is willing to pay higher price for CSR.	.000	Accepted	Negative ranks of consumer is willing to pay higher price for CSR is more than positive ranks of making profit	CSR is the cost of staying in business, whether consumer is willing to pay higher price or not.

Hypotheses	2 tailed tests (P value)	Accepted/Rejected	Wilcoxon Signed Ranks Test	Conclusion
CSR is done more for brand building than for social cause	.000	Accepted	Negative ranks of CSR is for social cause than for brand building is higher than positive ranks	CSR is done for brand building than for social cause

As discussed above a number of factors, as many as 10, determine the internalization of ethics or practice of ethical values. Factors are the underlying constructs that describe the set of variables. Factor analysis has shown the extraction of two factors.

Table 7: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.832
Bartlett's Test of Sphericity	Approx. Chi-Square	1844.566
	df	45
	Sig.	.000

The KMO and Bartlett's test shows that the factor extraction is validated. Two components are extracted from factor analysis. These two components explain 50.87 % of the variance. Component 1 which could be termed as Ethical Code of Conduct, has extracted all those factors that actually is dependent on the ethical practices.

Component II consists of, Profit maximization should not be the single goal, advertisement should not be under the control of the advertiser and no wrong claims about the product. This component could be named as "Ethical Values"

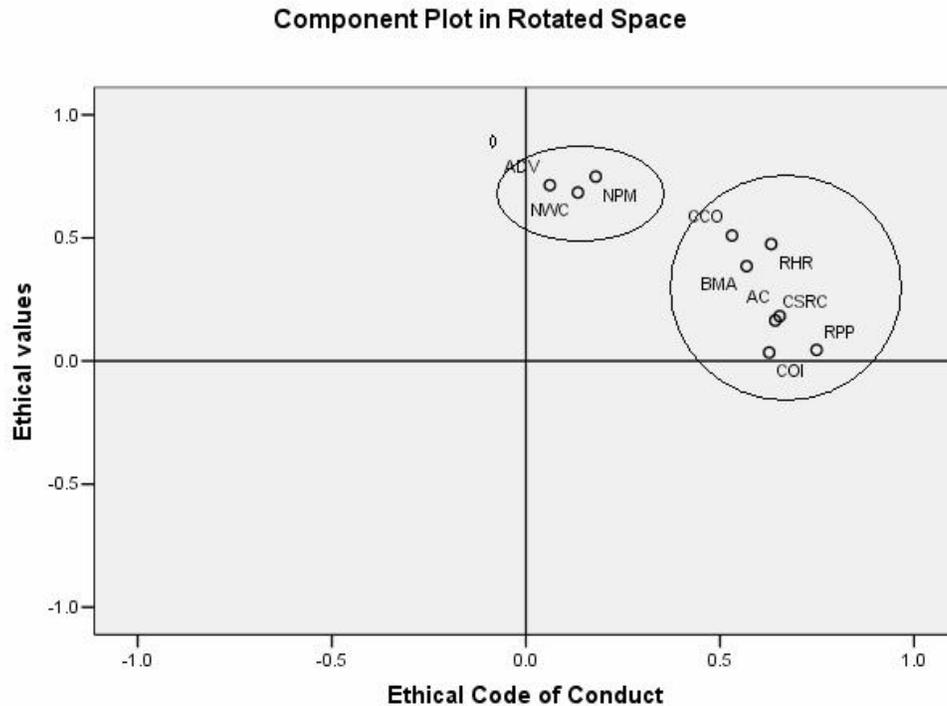


Figure 1: Perceptual Map 1. Ethical Perception and Practices of Employees

Factor 1 comprises of all the factors, most business firms make a sincere effort to adjust complaints fairly, the average consumer would be willing to pay higher prices if the brand contributed towards social responsibility, reputation of an Organization depends on honesty/responsibility towards customers, rewards and promotions in this organization is directly linked to performance, my coworkers support me in following my organization's code of conduct, misleading advertisements should be banned, confidentiality of organization information is above all ethical values. These have been termed as Ethical Code of Conduct. Factor II comprises of, it is not proper to quote wrong claims about a product's usefulness, Profit maximization should not be the single goal and advertisement should not be under the control of the advertiser. These can be termed as Ethical values, as more than being mentioned in the code of ethics, these are ethical values to be practiced.

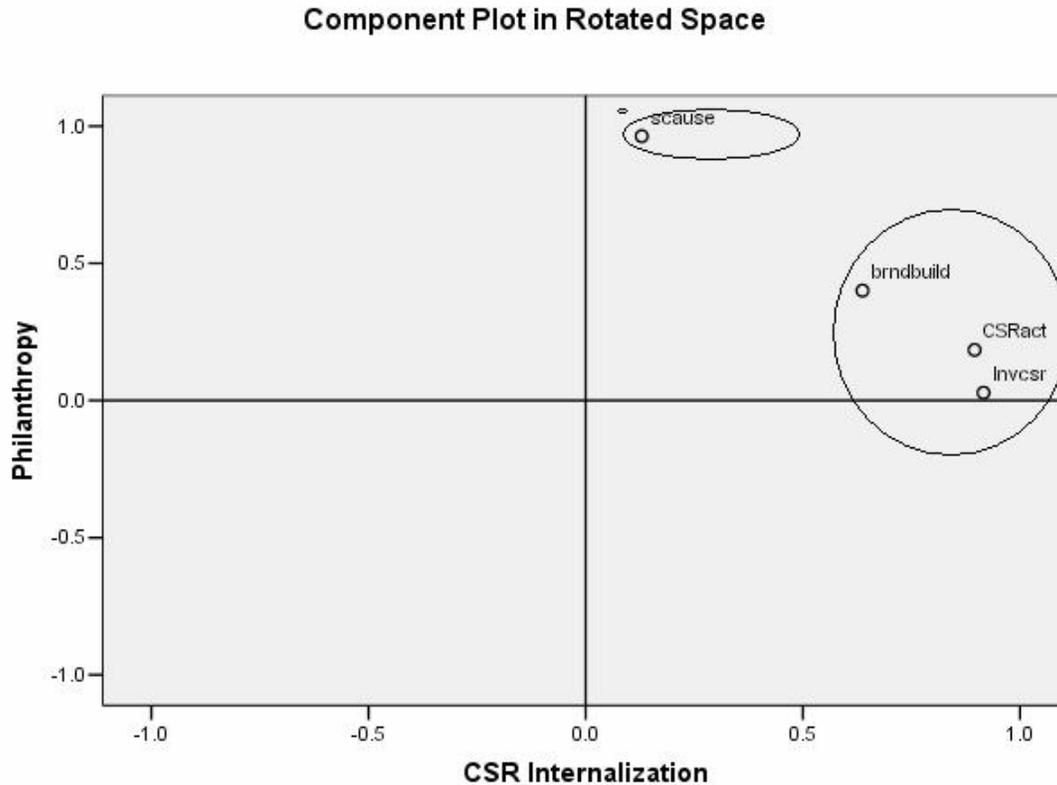


Figure 2: Perceptual Map 2: CSR perception of Employees

Two components are extracted from all the variables. These two components explain 79.6 % of the total variance. Component I is termed as CSR internalization and comprises of CSR as brand building, awareness of all CSR activities and actively involved in all CSR activities. Component II is termed as Philanthropy and considers CSR only for social cause.

5.7 Conclusion

In the context of stiff corporate competition, securing a higher market share for firm's products and services are of utmost importance to all firms. Ethical behavior and marketing cannot be seen as mutually exclusive. Marketing Strategies are the mirrors that a company can use to express their intentions in business. So the link between the market place and marketing is obvious. There are types of CSR engagements. The two dimensions that can be used are sustainability and benefits. Embedding CSR in to marketing strategy is suggested as the most viable approach that can ensure the sustainability. Depending upon various CSR internalization and policies an organization can be considered as highly ethical, star ethical performer, ethical aspirants. The researcher has tried to put forth various strategies by virtue of which they could be categorized as one of the type.

Compliance Approach

High	<p><u>Ethical Aspirants</u> Act to protect the company against the dangers of unethical strategies and behaviour</p>	<p><u>Star Ethical Performer</u> Ethical behaviour is ingrained and reinforced as part of the culture</p>	Ethical Culture Approach
Low	<p><u>Impoverished</u> No intervention regarding the ethical component of decision is needed</p>	<p><u>High Ethical Compliance</u> The company has an ethics compliance office, a chief ethics officer and formal ethics compliance procedures.</p>	
	Low	High	

Figure 3: Model 1: Ethical Grid

The stance a company takes in dealing with or managing ethical conduct at any given point can take any of four basic forms. Understanding the Model:

The Ethical Grid is based on two behavioral dimensions.

1. Ethical Culture Approach: This is the degree to which an organization considers that ethical behavior is ingrained and reinforced as part of the culture.
2. Compliance Approach: The Company has clear and comprehensive code of ethics.

Using the axis to plot ethical concerns, organizations can judge their strategy or operations style.

- Impoverished: This is an unconcerned approach. Ethics has no place in the conduct of business. Companies are not morally accountable for their actions; companies are concerned with only legal formalities. Some stake holders are alienated and financial consequences can become unaffordable.
- Ethical Aspirants: The Company has an approach for ethical standards but compliance is low. That means a strong code of ethics is not implemented. Here the message goes, that the company ignores unethical behavior or it goes unpunished unless the situation is extreme and requires action
- High Ethical Compliance: Here the company is committed to ethical standards and monitoring ethics performance. A reputation for high ethical standards is important. The company has a clear and comprehensive code of ethics.
- Star Ethical Performers: Behaving ethically must be a deeply held corporate value and become a way of life. Everyone is expected to walk the talk. The company relies

on coworkers, peer pressure and does things right. Everyone is an ethics watch dog, whistle blowing is allowed. Ethics heroes are celebrated and ethics stories are told.

- Middle –Line performers: Medium Compliance Approach /Medium Ethical Culture Approach. This style seems to be a balance of the two competing concerns. It may at first appear to be an ideal compromise. Therein lies the problem, though: When you compromise, you necessarily give away a bit of each concern so that neither compliance nor culture needs are fully met. Organizations that use this style settle for average performance and often believe that this is the most anyone can expect.

Challenges in the Ethical Grid

- Impoverished: there could be financial consequences which would scale up to unaffordable losses. Some stake holders are alienated. No intervention regarding the ethical component of decisions is needed.
- Ethical Aspirants: Credibility is susceptible to ethical scandal. The company acts only to protect against dangers of unethical strategies and behavior.
- High Ethical Compliance: The locus of moral control resides in the code and in the ethics compliance system rather than in an individual's own moral responsibility for ethical behavior.
- Star Ethical Performer: new employees must receive an ethics induction. Relying on peer pressure and cultural norms to enforce ethical standards can result in eliminating some or many compliance trappings.

The decision of when to implement ethical grid approach is compounded by why, where and how it should be implemented not to mention who should oversee the process. Although the value of an effective CSR policy within specific industries and companies is becoming increasingly accepted, the point at which such a policy becomes ripe for implementation varies. It varies with many business environment, organizations attitude toward CSR and other factors of sustainability.

6. References

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