

A CRITICAL ANALYSIS ON THE SIGNIFICANCE OF BUSINESS ETHICS**S.A. Saha, S.M. Darekar and P. Kaur**

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ABSTRACT

Business ethics are an integral part of any business activity. They are the moral principles that guide conduct of business. Business ethics are codes of conduct by the business in the society in such a manner that interests of all the stakeholders concerned are duly protected. For a business organization it might be a tricky thing to match the expectations of multiple interests especially when the groups are in competition with each other. Notwithstanding this, business ethics remain a significant performance parameter for business firms. In this paper we surveyed 100 senior managers from various business organizations of different sizes and shapes through a structured questionnaire to ascertain their views on significance of business ethics and its practice. Two sets of questions were asked. First one was directed to establish theoretically the significance of business ethics. Second section was directed to assess real-life implementation of business ethics. The responses were sought on a 5-point Likert scale of agreement/disagreement. Two hypotheses were formulated and tested. While there is an overwhelming agreement that business ethics are of significance, there is a highly negative opinion about their implementation in practice. Thus, business ethics remains more of a theoretical subject and efforts are required to improve its practical implementation.

Keywords: Business ethics, Significance, Practical implementation

Introduction

Business ethics (otherwise called corporate ethics) is a type of applied ethics or expert ethics, that looks at moral standards and moral or moral issues that can emerge in a business climate. It applies to all parts of business and is applicable to the management and whole organization. These ethics start from people, authoritative explanations or the general set of laws. These standards, values, moral, and unscrupulous practices are the rules that guide a business. Business ethics alludes to contemporary hierarchical guidelines, standards, sets of qualities and standards that administer the activities and conduct of a person in the business association. Business ethics have two aspects, regulating business ethics or unmistakable business ethics. As a corporate practice and a lifelong specialization, the field is principally standardizing. Scholastics endeavoring to comprehend business conduct utilize illustrative techniques. The reach and amount of business ethics issues mirrors the connection of benefit amplifying conduct with non-monetary worries. Interest in business ethics sped up significantly during the 1980s and 1990s, both inside large companies and inside scholarly world. For instance, most large companies today elevate their obligation to non-financial qualities under headings, for example, ethics codes and social obligation

sanctions. Legislatures use laws and guidelines to point business conduct in what they see to be valuable bearings. Morals certainly manages regions and subtleties of conduct that lie outside administrative ability to control. The rise of huge enterprises with restricted connections and affectability to the networks in which they work sped up the advancement of formal ethical systems. Keeping unethical status is the obligation of the supervisor of the business. In this paper we surveyed 100 senior managers from various business organizations of different sizes and shapes through a structured questionnaire to ascertain their views on significance of business ethics and its practice. The study had the following objectives –

1. To evaluate the significance of business ethics, and
2. To assess practical implementation of business ethics.

Literature review

Svensson and Wood (2008) state that apparently in the 30 years that business ethics has been a discipline by its own doing a model of business ethics has not been proffered. Nobody seems to have attempted to clarify the peculiarity known as business ethics and the manners in which that we as a general public associate with the idea, consequently, the creators have tended to this hole in the writing

by proposing a model of business ethics that the writers trust will animate discussion. Gandz and Hayes (1988) posit that business ethics ought to be instructed in business colleges as a coordinated piece of main subjects in MBA programs with a double spotlight on both scientific structures and their applications to the business disciplines. To defeat the hesitance of numerous staff to deal with ethics issues, a minimum amount of workforce should foster reasonable materials, instruct their friends in its utilization, and start to lead the pack by presenting it in their own courses and on senior administration programs. George (1987) has written that business ethics, which outgrew religion's advantage in ethics in business and the executive's instruction's anxiety with social issues, has turned into an interdisciplinary scholarly field. Up to this point it has fixated on educating students. The simple work has now been done and the field has arrived at a level. To foster further it requires improvement on the MBA level, excellent exploration on new inquiries, positive models, better interdisciplinary joining, and consideration regarding global business. Eventually the field will stand or fall on the nature of examination those in it produce. Spence and Rutherford (2003) claim that sociological viewpoints bring a lot to the table to the field of business ethics that keeps on being overwhelmed by regularizing, ethics way of thinking. The second commitment of the paper is to contend for a re-direction away from the huge worldwide firm as a benchmark subject of business ethics research. One significant perspective to be incorporated is that of the little firm, which stays the prevailing authoritative structure all through all the OECD nations. Jones (2003) in their paper takes up some of Jacques Derrida's work on ethics, obligation and equity to inquire as to whether business ethics is conceivable inside the cutoff points in which it at present tracks down itself. We start by talking about the 'ethics turn' in Derrida's new work and afterward, in the wake of setting this in setting with a short conversation of Emmanuel Levinas, overview a determination of Derrida's 'ethics' works. This gives the premise to a conversation of the constraints of calculative and legalistic business ethics, and the more

extensive issue of the ethics of realizing what to do. Albeit in this paper we don't profess to 'deconstruct' business ethics, we close with a conversation of the possibilities of a potential future deconstruction of business ethics. Heath (2015) argue that quite possibly the most persuasive thoughts in the field of business ethic has been the idea that ethics lead in a business setting ought to be examined as far as a bunch of guardian commitments toward different partner gatherings. Ethics issues, as per this view, include accommodating such commitments in situations where partner bunches have clashing interests. The inquiry presented in this paper is whether the partner worldview addresses the most productive method of articulating the ethical issues that emerge in business. Freeman (2000) state that business ethics, as a discipline, has all the earmarks of being at an intersection. Down one road lies business as usual: for the most part logicians taking what they are aware of ethics and ethics hypothesis and applying it to business. There is a long custom of researchers working in the space known as business and society or social issues in administration. The vast majority of these researchers are prepared as friendly researchers and instruct in business colleges. Their *raison detre* has been praiseworthy: attempting to get chiefs and understudies of business to comprehend the social effects of business and to see business in wide, cultural terms. Sen (1993) writes - I start not with the requirement for business ethics, but rather at the other end-the thought many individuals have that there is no requirement for such ethics. That conviction is very far reaching among specialists of financial aspects, however it is more frequently underestimated certainly rather than attested expressly. We should see better what the conviction lays on and why it could be mixed up. Randall and Gibson (1990) utilizing 94 distributed observational articles in scholarly diaries as an information base, have written a paper giving a basic survey of the procedure utilized in the investigation of ethics convictions and conduct of authoritative individuals. The research uncovered that full strategic detail was given in under one portion of the articles. Further, most of observational examination articles communicated no worry for the dependability

or legitimacy of measures, were described by low reaction rates, utilized accommodation tests, and didn't offer a hypothetical system, speculations, or a meaning of ethics. A few suggestions, including a commentator rating structure tending to strategic choices and consideration of methodologists on the audit board, are proposed to work on systemic thoroughness in distributed ethics research. Brand (2009) state that regardless of the purported worldview battles in numerous sociologies disciplines in late many years, banter with respect to the fitting philosophical reason for research in business ethics has been similarly non-existent. Any thought of worldview issues in the hypothetical business ethics writing is uncommon and without a doubt, extremely periodic references to applicable issues have been made in the writing of literature. Not much research is seen in Indian context in the field of business ethics.

Methodology

Following methodology was designed for the study to collect primary data.

- Identify a sample of 100 business entrepreneurs using convenience sampling.
- Design and validate a 10-point each questionnaire for ascertainment of significance and about practical implementation of business ethics.
- Seek responses on a 5-point agree-disagree scale
- Conduct the survey
- Summarize the responses
- Apply a t-test at 95% confidence level
- Analyze the results

The hypotheses set in this regard were as under:

Ho1: Business ethics are of no significance for firms

Ha1: Business ethics are of significance for firms

Ho2: Implementation of business ethics in practice is effective

Ha2: Implementation of business ethics in practice is ineffective

The study was conducted across India.

Scheme formed for testing of hypotheses

- Responses would be collected under 2 sections (significance of business ethics and their effectiveness in practical implementation) of the questionnaire on a 5-point agree-disagree scale (Completely agree, Somewhat agree, Neutral, Somewhat disagree and Completely disagree),
- Under each of the sections, the responses would be aggregated under two groups of agree and disagree,
- In doing so for each of the extreme responses, a weight of 2 was assigned so as to distinguish them from the non-extreme responses,
- For each of the question an average count were calculated in the two opposites,
- Percentages to questions under a particular section of the questionnaire were averaged to get a single score for that section,
- The section-wise average score percentage were compared with a hypothesized mean of the population of 50% score connoting an event by chance and not due to statistical significance,
- P-values were calculated and the null hypotheses was checked for rejection or non-rejection. These calculations would be done at 95% confidence level using a t-test since standard deviation (SD) of the population is not known.

Cronbach's alpha score for the questionnaire was 0.89 and hence the questionnaire was considered as reliable.

Results and discussion

Out of the 100 respondents 31 were from Mumbai, 24 from Delhi, 16 from Kolkatta, 10 from Chennai and 19 from other places. 91 out of the 100 respondents were male while 9 were female. 25 respondents had business experience of 10-20 years, 54 of 20-30 years, and 21 had business experience of more than 30 years.

Table 1 shows the agreement percentages of the respondents for the ten statements under the 1st section of the questionnaire.

Table 1: Summary of agreement percentages to significance of business ethics

Sr. No.	Statement	Agreement %
1	Significance in overall business transactions	84%
2	Significance in marketing	89%
3	Significance in finance	91%
4	Significance in HRM	84%
5	Significance in product quality	88%
6	Significance in payment of taxes	90%
7	Significance in other regulatory compliance	79%
8	Significance in social responsibility	82%
9	Significance in environmental aspects	83%
10	Significance in contribution to general public	80%

Table 2 shows the testing of the 1st hypotheses at 95% confidence level.

Table 2: Testing of H1

Parameter	Value
Average	85%
SD (Standard Deviation)	0.042426
H1 (Hypothesized Mean)	50%
Ho (Sample Mean)	85%
n (Sample size)	100
t-value	82.50
p-value	<0.0001

The 1st null hypothesis business ethics are of no significance for firms was thus rejected given the p-value of <0.0001.

Table 3 shows the summary of disagreement percentages of the respondents for the ten statements under the 2nd section of the questionnaire.

Table 3: Summary of disagreement percentages to effectiveness in implementation

Sr. No.	Statement	Agreement %
1	Effectiveness in implementation in overall business transactions	85%
2	Effectiveness in implementation in marketing	79%
3	Effectiveness in implementation in finance	74%
4	Effectiveness in implementation in HRM	86%
5	Effectiveness in implementation in product quality	91%
6	Effectiveness in implementation in payment of taxes	82%
7	Effectiveness in implementation in other regulatory compliance	84%
8	Effectiveness in implementation in social responsibility	76%
9	Effectiveness in implementation in environmental aspects	92%
10	Effectiveness in implementation in contribution to general public	91%

Table 4 shows the testing of the 2nd hypotheses at 95% confidence level.

Table 4: Testing of H2

Parameter	Value
Average	84%
SD (Standard Deviation)	0.063246
H1 (Hypothesized Mean)	50%
Ho (Sample Mean)	84%
n (Sample size)	100
t-value	53.76
p-value	<0.0001

The 2nd null hypothesis implementation of business ethics in practice is effective was thus rejected given the p-value of <0.0001.

The average agreement for significance of business ethics for firms was found to be 80% and was found to be statistically significant. The agreement to various dimensions of the significance was quite high. Conversely the average disagreement to effectiveness in practical implementation was found to be 84%. The disagreement to various dimensions of the effectiveness of implementation was quite high.

Conclusion

Two clear conclusions emerge from the study. One is that there is a large-scale agreement to the significance of business ethics. Respondents overwhelmingly agreed that business ethics is important not just on an overall basis but also individually in domains like finance, marketing, quality, and others.

They also recorded a thumping agreement for significance of business ethics in the areas like taxation, social responsibility and environmental aspects. This is quite heartening to note. However, what is disheartening to note is the poor implementation. All the ten areas show high ineffectiveness when it comes to implementing business ethics in practice. Thus, business ethics is a classic case of a theoretical model failing miserably in practice. In principle, the significance of business ethics is acceptable to the business community. But in practice, its effective implementation is not seen. Business ethics is something that cannot be forcibly enforced. On the other hand it is more a matter of self-regulation and control on the part of each individual involved in business. Research is warranted to find out ways and means of encouraging businessmen to assume more responsibility for business ethics in practice.

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