A Study on Influencing Factors and Challenges of Ethics in Business in Indian Context

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ABSTRACT

In order to survive and grow in the market, moral values are one thing which must be taken into consideration along with the vision set up by Organization. From a business point of view each and every organization tries to achieve the main goal, which obviously is to 'maximize the profit'. But while doing so these organizations should also consider their moral, ethical and social obligations. Business ethics refers to the principles, values, and moral standards that guide the behavior and conduct of individuals and organizations within the business environment. As economies evolve and global markets expand, the role of ethical behavior in business becomes increasingly important. Ethics support indirectly to the growth of the Organizations. In this era of sustainability, ethics is the power in the hands of organizations to achieve sustainable practices.

This research paper aims to explore the various influencing factors and challenges that impact ethical practices within the world of business. The study examines various internal and external elements affecting ethical decision-making processes among businesses, analyzes the implications of these factors on corporate behavior, and suggests potential strategies to promote ethical practices. It is an exploratory & descriptive study completed massively with the help of Secondary data. The paper encompasses the world of Ethics in Business & describes the associated factors & challenges. The Author has suggested a recommendary model stating the essence of ethics in business and the approaches required to achieve the same. The Author has considered industries at large and the same may be the limitations of the study as the inferences are indicative in nature rather exhaustive. Ethics have a strong role to play in the world of Business, this attempts to generate insights in this respect.

Keywords: business ethics, social responsibility, ethical leadership, ethical practices

I. INTRODUCTION

The concept of business ethics has deep roots in Indian culture and philosophy. Traditional Indian values such as dharma(righteousness) and karma(action), emphasize ethical behaviour and social responsibility. These principles have been embedded in various religions and philosophical texts including Vedas, Upanishads and teaching of Mahatma Gandhi. In Indian Context, the introduction and practice of business ethics have gained significant importance in recent years as the country's economy and business landscape continue to grow and evolve. Ethics in business is crucial aspect that governs the behaviour and practices of organizations and individuals within the context of business activities. It encompasses the moral principles and values that guide decision making, interactions and transactions in the business. It provides a framework for conducting business in a responsible, fair, sustainable manner, taking into account of interests of various stakeholders including customers, employees, shareholders, suppliers and the wider community.

In today's interconnected and rapidly evolving global economy, business ethics has emerged as important aspect of successful and sustainable business practices. It involves making ethical choices, treating stakeholders fairly, and upholding a company's reputation for integrity and trustworthiness. It encourages businesses to balance profitability with social responsibility, sustainability and ethical considerations. It is a fundamental aspect of modern commerce that shapes how companies operate, interact and contribute to society. In an increasingly interconnected world, business ethics is not just a moral imperative but also a strategic advantage for organization aiming for long term success.

II. OBJECTIVES OF THE STUDY

The Authors have considered the following objectives for the study:
- To study the concept & significance of business ethics in Indian Context.
- To identify the Influencing factors and challenges of ethics in Business in Indian Context.

III.   RESEARCH METHODOLOGY

A study on Influencing factors and challenges of ethics in Business in Indian Context is an exploratory and descriptive study conducted with the help of massively secondary data. The author presents the recommendation as their contribution with the help of the ideas and thoughts gathered during the study. The scope of the study comprises the thoughtful review of awareness and challenges of business ethics in Indian Context.

IV.   LITERATURE REVIEW

Tsalikis & Fritzsche (1989) conducted that the term ethics are used interchangeably with morals, however, it is more accurate to restrict the terms morals and morality to the conduct itself. Instead, we can then use the terms ethics and ethical to refer to the study of moral conduct or to the code an individual follows. Ethics should be considered an important aspect of business for anyone wanting to or is already in the process of conducting business. The majority of situations that business people may face do not necessarily involve strictly legal matters; they may have to make judgements concerning what is "right" or what is considered the ethical things to do. There have been approaches made to attain high ethical standards in business using multiple approaches. One of these approaches is the implementation of ethical codes. Codes of ethics are considered one of the most pervasive responses used by the business community as a whole as a way to improve ethical conduct.

Immanuel Kant was a German philosopher and a great contributor to the field of ethics. Kant argued that moral principles could be derived from practical reason alone. He believed that whenever an individual makes a decision, we act on a maxim, which was Kant's version of intentions. He also thought that morality could be considered a "set of laws", decision rules, or principles that are the same for everyone and could be applied to everyone.

DeGeorge (2000) shares five lessons that managers as well as researchers should consider adhering to. First, the ethics "movement" is not a fad. It is not only increasing, but it is increasing on an international level. Second, based on experience in business, ethical businesses require ethical people. Third, DeGeorge states that ethical structures are important, especially in businesses. Businesses can structure their systems to reward ethical behaviour instead of rewarding unethical or amoral behaviour. Fourth, some ethical problems cannot be resolved by ethical people or ethical companies. This may be due to things such as inadequate laws or corrupt governments in home or host countries. Finally, in the area of international business, self-regulation or self-monitoring by companies and industries is important but may not be enough.

Pearl & Hughes (2008), ethics is defined as acting to prevent substantial harm to others when an individual or group has an opportunity to do so for their own benefit. **Mc Antony (2004)** postulated that moral standards deal with matters that we think can seriously injure or seriously benefit human beings. On his part, **Kim (1999)** asserts that moral judgements function to condemn human plans or activities that make life unbearable for others and morality functions to limit selfish actions that cause such harm. By definitions, stakeholders represent the groups most subject to potential benefit or harm by business (**Johnson, 2004, Elango et al., 2010**)

Some of the other reviewed articles suggested that there is a direct relationship between leader's values and morality and the quality of ethical business culture (**Bass & Steidlmeier, 1999; Brown & Trevino, 2006; Ciulla, 1998; Dickson, Smith, Grojean & Ehrhart, 2001**) argued that leader's ethical framework and morale judgement influence organizational culture by contributing to the creation of ethical culture. They found that the relationship between a leader's moral development and an organization's ethical climate was moderated by the leader's utilization of their moral reasoning.

V.   LEADING DEFINITIONS RELATED TO THE THEME OF THE STUDY

Definition Source	Definitions
Mackenzie	**Ethics:** "The study of what is right or good in human conduct" or "the science of the ideal involved in conduct".
Andrew Crane	**Business Ethics:** "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed".
Western Governors University	**Ethical Leadership:** Ethical leadership is defined as "leadership demonstrating and promoting 'normatively appropriate conduct through personal actions and interpersonal relations".
Richard William Paul & Linda Elder	**Code of Ethics:** "A set of concepts and principles that guide us in determining what behaviour helps or harms sentient creatures".
Kotler & Lee	**Social Responsibility:** "A commitment by an organization to improve community well-being through discretionary business practices and contributions of corporate resources".

VI.   ETHICS IN BUSINESS: CONCEPT AND SIGNIFICANCE

Business Ethics are moral values and social principles that a business should adopt as its code of conduct. Businesses must follow and accept these rules in their daily operations while dealing with stakeholders or for society's welfare.

The significance and concept of business ethics include various points such as:

1. **Ethics lays the strategic decision making:** The role of ethics in decision making affects how you approach decisions, how you decide which action to take whether or not you need to consult someone else for their viewpoint.
2. **It increases employee retention:** Work ethics in the workplace is even more significant as it directly impacts the job's quality or output. When a person has respect for the work and the workplace, they naturally become more productive.
3. **An ethical business attracts investors:** Strong business ethics are also an attractive quality, which means other investors are more likely to be interested in investing their money into the company, keeping its share price high and protecting it from takeover.
4. **Ethical practices help in building and maintaining reputation:** A reputation for positive ethical behaviour entices more potential clients, customers and partners to work with you. It also builds customer loyalty over time, creating a customer base that is likely to refer your business to others.
5. **Ethics in a business attracts more employees:** Displaying good ethical behaviour can boost company morale and client relations. It's easier for a business to retain employees when they work for a company that they believe in. Employees want to work for companies that treat everyone and their clients fairly and have good and ethical business practices.
6. **Good business ethics is the key to enhancing productivity:** Employees with strong work ethics take their work seriously and devote their working hours to going above and beyond what's required of them. Their passion for their job means that they'll complete tasks quickly and to the best of their ability.
7. **Ethics create customer loyalty:** An ethical brand acts with integrity, responsibility, honesty, respect and accountability. Companies that place ethics at the core of their business strategy have a positive impact on their customer affective commitment towards the brand.
8. **Ethics encourage teamwork:** Employers and employees who trust one another work together harmoniously and effectively. They will be highly motivated, reliable, trustworthy, engaged, creative thinkers, and aware of their own strengths and weaknesses.
9. **Ethics in enhancing partnership:** Partnerships in the business world are very crucial. They help expand your marketplace and improve business relations. In order to get good partners, your reputation must be built on a strong business ethics foundation.
10. **Good ethics in a business boosts the morale of the employees:** Good business ethics involves rewarding your employees. When an employee is rewarded, he/she works harder leading to more profits. An ethical working environment provides equal work opportunities for all the employees. It is free for gender-inequality and discrimination of any sort. Candidates are promoted solely on the basis of their merit.

Hence, such ethical practices prioritize the needs of consumers, ensure transparency and diversity in the workplace, respects consumer information, reduce conflict of interest, endorse teamwork and corporation.

VII. BUSINESS ETHICS IN INDIAN CONTEXT

Indians have a rich cultural heritage that influences the way business is conducted, and ethical considerations play a significant role in shaping the business landscape.

Here are some key points to consider regarding business ethics in the Indian Context:

1. **Cultural and Religious Influence:** India is diverse country with various cultures and religions. Business ethics often intersect with these cultural and religious beliefs. Concepts such as "dharma" (righteousness) from Hinduism, "karma" (action and consequences), and the Jain principle of "ahimsa" (non-violence) can influence business decisions and practices.
2. **Respect for elders and authority:** Indian society places a strong emphasis on respecting elders and authority figures, it often extends to business ethics as well. While showing respect for elders and authority figures is an important value in many cultures and can contribute to harmonious and productive business environment, it should always be balanced with critical thinking, ethical considerations, and inclusivity.
3. **Social Responsibility:** Social responsibility is a business's duty to make ethical decisions that positively impact society. It pertains to people and organizations behaving and conducting business ethically and with sensitivity towards social, cultural, economic, environmental sustainability, healthcare and poverty alleviation.
4. **Consumer Protection:** Consumer protection makes markets work for both businesses and consumers. Consumers need to be able to obtain accurate, unbiased information about the products and services they purchase. This enables them to make the best choices based on their interests and prevents them from being mistreated or misled by businesses.
5. **Labor Practices:** Ethical treatment of employees is crucial. A company that prioritizes fair labor practices demonstrates its commitment to treating employees with respect and dignity, provide fair wages, safe working conditions and opportunity for skill development. It also enhances the company's reputation and improves its relationships with customers, suppliers, and other stakeholders.
6. **Intellectual Property Protection:** Respecting intellectual property rights is important for ethical business conduct. Effective IP protection is essential to fostering innovations, promoting competition and maintaining trust among business entities and stakeholders. By upholding these ethical principles businesses contribute to a healthier business environment, foster innovation and ensure a sustainable future for themselves and society at large.
7. **Gender Equality:** Promoting gender equality and preventing workplace discrimination is gaining importance in India. Ethical businesses promote equal rewards, diversity, resources and opportunities regardless of gender. Equal pay and benefits for comparable roles with similar responsibilities.
8. **Economic disparities:** Addressing economic disparities is a significant aspect of business ethics. Economic disparities refer to the uneven distribution of wealth, income, and opportunities among individuals and groups in society. These disparities can lead to social unrest, reduced overall well-being, and hindered economic growth.
9. **Digital Ethics:** Incorporating digital ethics into business ethics involves creating a culture of responsibility, transparency, and accountability within the organization. Ultimately, digital ethics as part of business ethics is about aligning technological advancements with more principles to create a positive and sustainable impact on society, customers, and stakeholders.

VIII. GLOBAL PERSPECTIVE ON BUSINESS ETHICS

A global perspective on business ethics considers the cultural, economic, and social differences that exist across countries and regions while emphasizing a set core principles and values that guide ethical behavior in the business world. Business ethics refers to the moral principles and standards that guide the behavior and decisions of individuals and organizations in the business environment.

Here are the points to consider discussing a global perspective on business ethics:

1. **Cultural Relativism:** Different cultures have varying ethical norms and values. What is considered ethical in one culture might be seen as unethical in another. When operating globally, businesses need to be sensitive to these differences and adapt their practices to respect the cultural context.
2. **Universal Ethical Principles:** While cultural differences should be acknowledged, there are certain ethical principles that are considered universal, such as honesty, integrity, respect for human rights, and environmental responsibility. These principles form the foundation of ethical conduct and should be upheld across different cultural contexts.

3. **Compliance with laws and regulations:** Businesses operating internationally must adhere to local laws and regulations. However, ethical behavior goes beyond legal requirements to ensure that business practices are responsible, sustainable, and respectful of stakeholders.
4. **Corruption and Bribery:** Corruption is a major ethical concern in many parts of the world. Businesses operating globally must be vigilant about avoiding bribery, kickbacks, and other forms of unethical practices that undermine fair competition and economic development.
5. **Labor Standards and Human Rights:** Ethical businesses should uphold labor standards that include fair wages, safe working conditions, and the prohibition of child and forced labor. They should also respect human rights and contribute positively to the communities in which they operate.
6. **Environmental Sustainability:** Businesses have responsibility to minimize their environmental impact by adopting sustainable practices and minimizing pollution, resource depletion, and waste. This is essential for the well-being of the planet and future generations.
7. **Supply Chain Ethics:** In a globalized world, supply chains can stretch across multiple countries. Businesses need to ensure that their suppliers and partners uphold ethical standards in areas such as labor practices, environmental impact, and social responsibility.
8. **Transparency and Accountability:** Openness and transparency in business practices foster trust among stakeholders, including customers, investors, employees, and communities. Businesses should communicate clearly about their operations, policies, and performance.
9. **Ethical Dilemmas:** Global business operations often present complex dilemmas due to conflicting cultural norms, legal requirements, and stakeholder expectations. Businesses should develop mechanisms for addressing and resolving dilemmas in an ethical manner.

IX.   FACTORS INFLUENCING ETHICS IN BUSINESS IN INDIA

Business ethics can be considered a set of policies and practices that will guide the entity to function in a manner that is acceptable to various aspects of society. Entities should ensure that they behave ethically because they have the power to influence society and make significant positive contributions. Moreover, malpractice by business entities can cause individuals, communities, and the environment to suffer.

Here are the factors that affecting business ethics in every workplace:

1. **Personal Code of Ethics (Individual Ethics):** The personal code of ethics of an individual influences his decision-making and how he acts in a particular circumstance. The personal code of conduct of each employee of the organization may be different. These may clash and lead to business ethics issues as well. Hence, it becomes one of the important factors that influence the ethical functioning of an entity.
2. **Legislation:** Legislation concerning business ethics refers to the fact that government departments and agencies will intervene and enact laws and rules to prevent companies from engaging in unethical behavior. Society will not tolerate entities' unethical behavior for long and will revolt. The government's enactment of rules would be the last resort and would be used when situations are adverse.
3. **Leadership:** If the leader leads in ethical ways and motivates the employees, so the employees will perform in legal ways then it will be beneficial for the company and for the employees also. Leadership plays an important role in business ethics because the leader is a person who can mold the organization.
4. **Government Rules and Regulations:** Laws support government regulations regarding working conditions, product safety, statutory warnings, etc. These provides some strategies to the business managers for figuring out what is acceptable or recognizes standards and practices.
5. **Ethical Code & Policy of the Company:** When a company grows larger, its standard of ethical conduct also rises. Any unethical behavior or conduct on the part of the company shall endanger its established reputation, public image, and goodwill. Hence, most companies are very cautious in this respect. They issue-specific strategies to their subordinates regarding the dealings of the company.
6. **Social Pressures:** Social forces and pressures have a considerable influence on ethics in business. If a company supplies sub-standard products and gets involved in unethical conduct, the consumers will become indifferent towards the company. Such refusals shall apply pressure on the company to act honestly and stick strictly to business ethics. Sometimes, society itself may turn against a company.
7. **Ethical Climate of the industry:** The modern industry today is working in a more and more competitive atmosphere. Hence only those firms which strictly adhere to the ethical code, can retain their position unaffected in their line of business. When other firms in the same industry are strictly attached to the ethical standards, the firm should also

perform up to the level of others. If the company's performance is below that of other companies in the same industry, it cannot survive in the field in the long run.

X.   IMPACT OF UNETHICAL BUSINESS PRACTICES

Unethical business practices and ethical misconduct in any company can lead to very serious consequences which can cause the company time and money in trying to repair their business reputation and any legal issues that may arise depending on the severity of the situation.

Unethical business practices, shady business practices, and poor workplace ethics have many consequences, including:

1. **Impact on Employee Performance:** A lack of ethics has a negative effect on employee performance. In some cases, employees are so concerned with getting ahead and making money that they ignore procedures and protocol. Additionally, employees who feel they are acting ethically and following the rules will not get them ahead in the business sometimes feel a lack of motivation, which often leads to decrease in performance.

2. **Employee relations are affected:** When a manager or head of a business exhibits a lack of ethical behavior, he faces losing the respect of his employees. A lack of ethical behavior can also cause tension among employees, with some employees resenting those who do not play by the rules and still manage to get ahead. Unethical behavior in the workplace also has the potential to lead to lack of trust among employees, which is detrimental to a business that relies on collaboration and a sense of community.

3. **Damage to Company Credibility:** If a lack of ethics in a business becomes public knowledge, that business loses credibility. While some businesses survive public knowledge of lack of ethics through reimaging and advertising campaigns, many lose a key customer base.

4. **Productivity Levels Decrease:** The main goal of any corporation is to drive through sales from customers to maintain a strong presence in the business world. Unfortunately, when a level of unethical behavior starts to form, it can cause productivity levels to decrease which surrounds the person or corporation in question. When this happens, errors start to form in a once productive production line.

5. **Loss of Public Credibility:** When unethical behavior occurs in a corporate setting, there's a high chance it will be publicized. This in turn can cause your company to lose its credibility, resulting in customers abandoning sales with you and not holding respect for you anymore.

6. **Legal Issues:** In severe cases of unethical misconduct, it can lead to severe legal issues that result in loss of time, large fines, and other penalties. In addition to this, executives who break the law can lead employees to also follow in pursuit in facing criminal charges.

7. **Unfair competitive practices:** Those businesspeople who opt to employ unfair and unethical business practices that result in unfair competitive practices. The unfair competitive practices would earn a company massive profit in the short run. However, upon investigation and publicity of the matter, the company will have its reputation destroyed.

XI.   STRATEGIES FOR PROMOTING ETHICS IN BUSINESS IN INDIA

Promoting ethics in business is crucial for building trust, sustaining long-term growth, and contributing to a positive social impact. In India, as in any country, there are several strategies that can employed to encourage ethical behavior within the business community.

Here are the strategies for promoting business ethics in India:

1. **Strong leadership:** The leadership of company management establishes the cultural environment and corporate values of a company. Business leaders and top management should set an example by demonstrating integrity, honesty and transparency in their actions and decisions. When leaders prioritize ethics, it creates a culture that encourages others to follow suit.

2. **Ethics training and education:** Provide regular training sessions and workshops to employees at all levels about ethical considerations, dilemmas, and decision-making processes. This helps employees understand the importance of ethics and equips them with tools to navigate ethical challenges.

3. **Clear Code of Ethics:** Develop a comprehensive code of ethics that outlines the company's values, principles, and standards for ethical behavior. This code should be communicated to all employees and stakeholders and serve as a guiding document for decision-making.

4. **Corporate Social Responsibility (CSR):** Develop and implement CSR initiatives that address social, environmental, and community concerns. CSR activities can enhance the company's reputation and demonstrate its commitment to ethical conduct.

5. **Incentives for Ethical Behavior:** Reward employees who consistently demonstrate ethical behavior and contribute to an ethical culture within the organization.
6. **Sustainability Practices:** Integrate sustainable and environmentally responsible practices into business operations. This not only reflects ethical behavior but also contributes to long-term business success.
7. **Stakeholder Engagement:** Engage with stakeholders such as customers, investors, employees, and the community to understand their concerns and incorporate ethical considerations into business strategies.

XII.   RECOMMENDATIONS

The researcher considering the literature review and the theoretical understanding here in extends a Recommendatory Model. The aim of the model is to guide organizations with potential practices to maintain ethics in business.
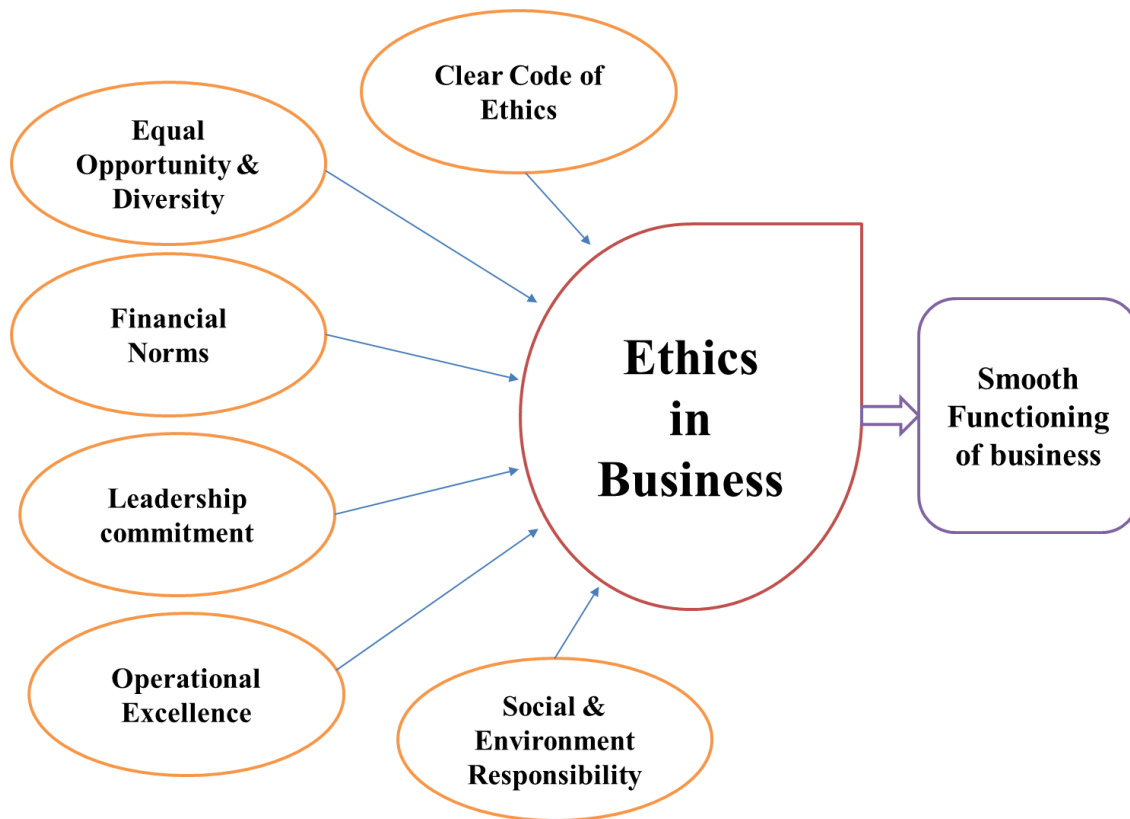
XIII.   CONCLUSIONS

This research paper aims to contribute to the understanding of ethical challenges faced by businesses in India and provide valuable perceptions for business leaders and academics to promote ethical business environment in India. It aspires to guide the business leader toward a path of sustainable economic growth and responsible business conduct that benefits both society and organizations at large. The Model recommended by the researcher guides the organizations with potential practices to maintain ethics in business. It is important to develop ethical Behaviour throughout the corporate world to build confidence and to provide a sincere service.

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