THE ROLE OF ETHICS IN CORPORATES IN THE NEW MILLENNIUM

K. Mangayarkarasi[1], Dr.P.Shyamala[2]

[1] *Assistant professor, NPR College of Arts and Science, Dindigul, India*
[2] *Head of the Department, PG (IT & M), Fatima College, Madurai, India*

ABSTRACT

This new millennium megatrend is 'responsible businesses. The consumer movement and human rights activists have become increasingly empowered, and they actively publicize news of unethical conduct of companies. These in turn have tremendous political ramifications in India. Operations of many multinational and Indian corporations have been put under scrutiny by these groups. They demand the companies to have appropriate Code of Ethics (CoE); to end the use opportunistic and discriminatory business practices; or to establish fair wage policies for the local employees, or to have the clear cut public relation norms so far as paid news and derogative advertisements are concerned, etc. Ethics have become an organizational priority. In the 21st century, ethics is neither a luxury nor an option. There is a growing impatience within society with selfish and irresponsible actions that impoverish some, while enriching the crafty.

Keywords: *Ethics, Responsible Business, Code of Ethics, Values*

1. INTRODUCTION

As an organizational priority, ethics will not only affect decision-making but also, and ultimately, institutional culture. To achieve this ideal, there must be an alignment process that integrates business ethics with mission, vision, values, strategies and goals. Ethical values are essentially social in nature, therefore, this alignment process will be concerned with relationships and defining relational expectations. The goal of an ethical organizational culture is the greater good of all. Internal relationships between leaders and followers, as well as external relationships with clients, customers, vendors and the community are all prized. As a result, people are treated well consistently and an ethical culture emerges. Today's organizations need to advance beyond a view of ethics as necessary for safeguarding their reputation and thereby avoiding bad media coverage; or as mere compliance with forced regulations. A great opportunity awaits organizations alert to the potential of ethical values in shaping the future. For a company's ethics policy to be successfully implemented, it is essential that: The code of ethics is clearly communicated to employees. Employees are formally trained in it. They are told how to deal with ethical challenges. The code is implemented strongly. The code is contemporary. The company leadership adheres to the highest ethical standards.

2. STATEMENT OF THE PROBLEM

Most businesses based in our countries have become extremely risk averse on the ethics front. Few of them would like to have anything to do with any unethical company in any part of the world for profit motto. This changed mindset has significant ratifications for Indian companies that have global aspirations. No Indian company that hopes to globalize in any manner can afford to ignore these changes sweeping the global business arena on the ethics front which is not good for a great future.

3. OBJECTIVES OF THE STUDY
- To emphasis the need for ethical values in business
- To adapt to the challenging scenario with ethical policy

4. REVIEW OF LITERATURE

Coca Cola: The plant at Plachimada was alleged to have exploited the ground water resources leading to drying up of wells and other natural water resources in the area. The entire region, which was a thriving agricultural land, had to rely on water supplied by tankers. Coca Cola was drawing 1.5 million litres/day from the common groundwater resource. However due to inherent water scarcity the company is able to extract only 800,000 litres from the bore wells. The company drew water from the nearby villages to compensate for the lack of availability causing parched lands of more than 2000 people residing within 1.2 miles of the factory (Jayaraman, 2002).

The Coca Cola Company had to deal with protests from the local community and supporting environmental conservation groups. Adding to the water exploitation, Coca Cola was accused of supplying poisonous waste as fertilizer to the local farmers. Tests done by an independent agency on the behalf of BBC showed that the sludge contained high levels of Lead and Cadmium (Srivastava, 2004). The sludge, which was disposed of in open ground, ran along with rainwater to the natural water resources. The contamination caused by the sludge has allegedly caused allergic symptoms and perpetual headache to the local population. Tests also show that the water available in the wells is contaminated and unsuitable for consumption (Iype, 2003).

5. TACKLING THE "NEXT FRONTIER": WHAT INDIAN COMPANIES NEED TO DO

It is clear that business ethics and compliance is the next frontier for Indian corporations to address as they become increasingly involved with worldwide markets. Our experience suggests that awareness of this issue is still at a very nascent stage in many Indian companies. Indian corporations would need to build trust in their international stakeholders through committed action on the ethics front. This would involve setting up compliance programmes to a code of ethics to counter unethical behaviour and create an ethical business environment within the organization. This is also a time for Indian corporations that already have elaborate ethics codes and policies in place, to review and renew their ethics efforts, and implement benchmark ethical practices suited to the global industry. Implementing a strong ethical basis of working is relatively easier for a younger company, when its DNA is still being moulded. For more established companies that did not have a well-implemented ethics policy in the past, it takes leadership and hard work to usher in an ethical organization culture.

While this is a challenging task, it is not insurmountable. While one might argue that the attitudes and value systems of employees are already formed when an employee joins a company, ethics and guidelines help employees to know what the company expects of them on the ethics front, what behaviours are acceptable and what are not. Ethics is a complex subject, requiring more than mere compliance with the laws. It represents the obligations of a company to all its stakeholders — customers, shareholders, employees, suppliers, partners, society at large, and the government. While individual organizational approaches to tackling the challenge of business ethics may vary, an approach that is embedded in well-articulated organizational values stands a much better chance of being successful. Such a holistic approach should explicitly spell out how ethics must be implemented in the organization, the role of leadership, and the role of individual employees in fostering a climate that encourages exemplary ethical behaviour.

6. STEPS THAT INDIAN COMPANIES MUST TAKE TO DEVELOP AN ETHICS POLICY IN THE NEW MILLENIUM

• **Establishing a code of ethics:** In most Indian companies, ethics is seldom formally addressed as an important management agenda. It is dealt with on a case-to-case basis as and when problems arise. While instincts alone may have sufficed in the past to address ethical issues, in today's complex and demanding global business environment, a well- defined code of ethics, as described above, acts as a behavioural compass for employees, helping them to make decisions within the business, legal and ethical boundaries

. • **Communicating the code**: While drawing up the code of ethics is a significant task in itself, it just marks the beginning of the journey to build an ethical culture. The organization must have processes to effectively communicate, implement, and update its code of ethics. At a minimum, this includes the following steps:

1. Making sure that every employee has a copy of the code of ethics or access to the same.
2. Ensuring there is no ambiguity in understanding the code of ethics. The document should have adequate number of diverse examples about the code's deployment and utility.

3. Conducting training programmes to allow employees to review the code's provisions, to understand how the provisions apply to the individual's specific job responsibilities, to in- form the specific behaviours and decision making processes the organization would like the employee to use when confronting ethical challenges, etc. Ultimately, training efforts must result in employees feeling an increased level of confidence and comfort when actually having to make ethical business decisions.
4. Communicating the policy repeatedly: Starting all meetings by highlighting the code of ethics is a good way to bring ethics to the centre stage of the organization's working.
5. Creating a habit of routinely talking about ethics at all levels: If an employee or a team in the company chooses to do something right even though it is difficult to do so, capturing such instances and using them as living examples to illustrate desired behaviour goes a long way in reinforcing what is an ethically acceptable behaviour in the organization. Using organizational newsletters to communicate such instances and stories of ethical conduct to everyone in the company is another powerful tool to rein force ethical behaviour in the organization.

• **Going public with the ethics statements**: Going public with the company's code of ethics would demonstrate to employees the commitment of the organization towards its stated values and ethical standards. It would enable customers, vendors, and other stakeholders to know what to expect when interacting with the company's employees, making it easier for the company's employees to follow the codes. Moreover, circulating these codes helps to build trust and loyalty among various external stakeholders such as suppliers, customers, part- ners, governmental agencies, etc., and differentiates the company from its competitors.

• **Establishing robust processes for handling ethical issues:** Establishing and making widely known processes which the employee can use for bringing up matters of ethics for resolution are an essential part of ethics implementation. This includes taking swift and fair action on reported violations, after due investigation of the allegation. The processes should be transparent and encourage an on-going dialogue to enable individual employees to under- stand the ethics policy better and help them to take ownership of the same. Mature management processes that allow employees to challenge the policies in a positive spirit to ensure their continued relevance through periodic review and reevaluation are essential. At the same time, there should be processes to track and come down hard on cynics.

• **Providing support structures:** Mechanisms for reporting violations such as ethics hotlines and mail- boxes must be instituted. The reporting mechanism must be secure, confidential, and available to all employees. Someone senior with high credibility should handle this hotline, with direct reporting to the CEO; alternatively, it could be the CEO's office itself.
• **Reviewing the codes:** It is essential to review the ethics codes at regular intervals to meet the chang- ing needs of the organization, marketplace, and regulations.

7. CONCLUSION

Many organizations are aware of the critical need for ethics in their cultural fabric. However, there is still a great deal of room for improvement. First, organizations must see ethics as a social responsibility to which they are obligated. No matter how cleverly done, hurting others for personal gain is unacceptable. Next, ethics will only find its proper place in organizations that make it a priority by creating relational expectations that work for the good of everyone. Finally, the best organizations will seize the opportunity to shape the future by influencing culture through the institutionalization of ethical values. By creating a good ethical policy within the organization, society can be improved by positive influences that perpetuate outside the organization.

8. REFERENCE

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