

Ethics in Business: Ethics or Ethical law, what comes first?

- Arunav Mishra

- In layman terms, ethics is a differentiator between perceived good & bad or right & wrong.
- Ethics is part of the broader societal character and it may be influenced by circumstances – E.g. Some Indians boarding a flight at New York in a Q & some Indians getting down the flight at New Delhi breaking the Q.
- It's a relative term in the context of business - a Rs. 2500/- gift to a customer may be considered acceptable in the context of an IT Services firm but it may not be acceptable in the Steel division of the conglomerate.

Ethics

- Law is a system of rules, usually enforced through a set of institutions.
- Law is a definitive entity which can be interpreted within set boundaries.

(Ethical) Law

Ethics

- An area of philosophy / sociology.
- Guides character of individuals / organizations.
- Non-quantifiable, relative & flexible.

Ethical Law

- A tool of governance.
- Interprets actions of individuals / organizations.
- Quantifiable, absolute & rigid.

Ethics & Ethical Law

- A good system of law does incorporate many ethical standards, but law can deviate from what is ethical. Or, the mechanism executing the law may become unethical. E.g. Scams involving sitting judges.
- Law has mostly been a break-fix tool and not a change agent. Even in high profile cases it's been the media that has been instrumental in driving change. Moreover, in many countries, legislative has authority to bypass judiciary – 94 amendments of Indian constitution in 60 years.
- Since ethics in itself is a hazy area having multiple 'rights & wrongs', there has been confusion since the days of Pluto regarding the confluence of ethics & law.

Why Ethics before Ethical Law?

- A case study – The Satyam episode. Even operating within multiple legal frameworks, a firm listed in the benchmark indices of both NSE & BSE could escape scrutiny. Another framework involving ethical laws might also fail. What about less scrutinized companies?
- Beginning with 29,874 companies at work in the country on 1st April 1956, the number of companies has grown to about 6.5 lakh as of 2005. While it took 34 years to reach a total of 2.02 lakh companies in 1990, the number has increased by 4.5 lakh in 1991-2005 period. Considering nearly 30 million cases are waiting to be heard in Indian courts, ethical cases will be an added overhead on the system.
- Lastly, enacting or implementing an ethical law might result in trying to apply band-aid over a much severe wound whose root-cause lies elsewhere.

Why Ethics before Ethical Law?
Contd..

- On the other hand, ethics being a societal character, it can be developed, fine tuned or changed. Moreover, ethics is the root cause based on which individuals / organizations react in a certain way to certain challenges. So, if the work ethics of individuals can be taken care of, it'll reflect on the larger stage.
- Once ethics is a part of national character, then ethical laws supplement it - it's synonymous to a flight taking off (inculcating ethics) & then running in cruise mode (ethics + ethical laws).
- So the primary focus of Businesses should be on ethics.

Why Ethics before Ethical Law?
Contd..

- Our national character is in shambles - languishing in the last part of the bottom half of the corruption index survey even though we're world's largest democracy & one of the fastest growing economy.
- We're corrupted to such an extent that every 1 rupee sent to the poor becomes 15 paisa.
- Since corporates operate in the same environment, implications need not be elaborated.

Ethics – current state of affairs in India

- Influence of colonial era – there has been a collective psyche that Govt. implies the Raj, even though the British are long gone. As a result, anything that the government is deceived of is an achievement. Interestingly, the mindset has been passed on over generations.
- Influence of pre-globalization era – money was a rare commodity & any means within the realm of law to earn it was considered absolutely fine. In many cases, it still is.
- We're a young nation still coming to terms with our independence.
- All the above are not excuses, but facts.

Ethics – current state of affairs in India.. Trying to address the 'Why'

- USA – Got independent in 1776, fought a Civil war in 1861-1865 over Slavery before becoming a 'true' democracy, till 1920 women didn't have right to vote, till 1966 Afro-Americans didn't have right to vote.
- India – every citizen is free & has a right to vote as of 1950. A framework is in place, it needs to be complemented by thorough action.
- It's a long process – it takes more time to repair than to damage.

Ethics – current state of affairs in India.. Is there a way ahead?

- Higher focus on induction training - Leaders in corporates are seldom thrust, they are bred in-house. Train them in aspects of ethics very early in their careers so that it becomes a part.
- Ask questions regarding the method, not only the result.

Ethics – What can the corporates do?

- Catch them young – greater focus on ethics in elementary education. Lesser competition leads to lesser inclination towards the 'short cut'.
- 66% of India is primary educated. 11% of India goes to colleges. Impact of lesser education on overall ethics of society.
- More focus on e-governance. E.g. Railways' online tatkal service - aided ethical behavior at micro level, DCA 21 - aided ethical behavior at macro level.

Ethics – What can the govt. do?

- Public have a responsibility too. E.g. few people who willingly sold their land, spent the money & then told that land was forcibly acquired from them.
- How much does it take to maintain a 'Q'?
- Did we leave the public toilet the way we expect it to be?

Ethics – What can people do?

- <http://www.prdomain.com/companies/T/TCS/newsreleases/200521121428.htm>
- <http://www.wikipedia.org>
- <http://www.scu.edu/ethics/practicing/decision/framework.html>
- http://www.accessmylibrary.com/coms2/summary_0286-22057874_ITM

Bibliography

Thanks!!