CHAPTER VII

CONCLUSIONS AND SUGGESTIONS

In this final chapter, an attempt is made to provide the backdrop of the study in brief and describe the findings of the study. The findings are compared with the findings of previous studies and conclusions are drawn. Suggestions to the management for improving ethical behaviours are also given.

NEED FOR THE STUDY

As competition tightens, managers are expected to show commendable results. This has made managers to get results by hook or crook. Their behaviours have produced negative consequences for the whole organization and organizations have become more conscious of their decisions. Managers, who are central to ethical decision making, are now expected to be efficient, effective and ethical.

The survey of literature has provided some empirical evidence to different aspects of ethical issues in organizations. However, there is a need for comprehensive study to know the ethical attitudes of managers in organizations.

Accordingly, the study focuses on manager’s views on values, their concern about stakeholders, their acceptance of certain unethical practices, personal and business ethics, what factors in their view influence ethical or unethical behaviour, how managers make ethical choices, importance and recognition of ethics in their organization and the steps that their organization has initiated to encourage ethical climate are discussed.

OBJECTIVES

The present study is undertaken with the following objectives:

1. To find the values preferred by managers and their understanding of ethical behaviours.
2. To know acceptable behaviours in present day business for the managers.
3. To know whether personal ethics and business ethics differ for managers.
4. To examine the criteria that influence ethical decision making
5. To identify the factors causing higher and lower ethical standards in Indian business organizations.
6. To know initiatives taken by organizations to ensure ethical behaviours of employees.
7. To suggest measures to improve ethical behaviours of employees.

In addition to the above objectives, the study seeks to identify the influence of demographic and organizational factors on the views and decision making of managers.

HYPOTHESES

Seven hypotheses are proposed based on the earlier studies as described below.

H-1 The rating of human values are not the same for all the different functional managers.

H-2 Managers accept unethical behaviours that are less harmful to the company.

H-3 Personal and business ethics are not the same for the managers.

H-4 Managers prefer the most utilitarian criterion when making their choice.

H-5 Organizations are adopting ethical code to ensure the ethical behaviour of employees.

H-6 Ethical attitudes are influenced by demographic factors of managers (age, gender, religion and experience).

H-7 Ethical attitudes are influenced by organizational factors (functional area, hierarchy level and size of the company).

PROFILE OF THE RESPONDENTS

About 66.82 per cent of the respondents are in the age group of 30 and above. Most of the respondents (82.73 per cent) are male managers. Only 17.27 per cent of the
respondents are female managers. A large number (59.09 per cent) of the respondents have a monthly income of below Rs. 39999. Majority of the respondents (60.91 per cent) are post graduates. Religion-wise, majority of the respondents (79.55 per cent) are Hindus.

The sample represents different functional areas in different proportions. It is dominated by human resource management (25.90 per cent) and production management (25.90 per cent). Majority (70.90 per cent) of the respondents is senior managers. Respondent managers are from different industry groups and organizational sizes.

FINDINGS

The major findings of the study are summarized here.

Training in Ethics Course

Most of the respondents (72.3 per cent) did not have a formal course in ethics.

Ethical Attitudes of Managers

Values of managers

The respondents view self-actualization (5.83), Purity of motive (5.60), Purity of mind (5.54) and Code of life (5.48) as very important values. Factor analysis has yielded six factors:

- Self transcendence values (6) - Modesty, purity of motive, gratitude, self - actualization, rest/leisure and compassion.
- Materialistic values (3) - Power, status and wealth.
- Benevolent autocrat values (2) - Benevolence and aggressiveness.
- Affiliation value (1) - Loyalty.
- Social values (2) - Absence of hatred and liberation.
- Spiritual value (1) - Cosmic causation.

Demographics have no influence on the values held by managers. The hypothesis proposed was proved wrong.
H-1: The rating of human values is not the same for all the different functional managers.

Hence the conclusion is: The rating of human values is same for all the different functional managers.

Responsibility to Stakeholders

The group to whom the respondents feel the greatest responsibility is clearly the customers (4.5). It is found that views of managers on responsibility to stakeholders are not influenced by gender, function, hierarchy of position, and size of the organization.

Acceptable Unethical Behaviours of employees

The proposed hypothesis is:

H-2 Managers accept unethical behaviours that are less harmful to the company

"Taking a relative along on a company business trip" (5.83), "charging large amount for taxi to expense accounts when actually walked or taken a public transport" (5.65) and "taking home a few supplies" (5.45) are unacceptable. Within the listed practices, the respondents have soft corner to practices like (mean values below 5.5).

- Using a company car to make a personal trip (5.36),
- Using a company telephone, fax, or computer for personal business (5.26),
- Making personal copies on a company copy machine (5.23),
- Charging wine and cocktails as well as food on a company business trip (5.09), and
- Calling in sick when some personal time (e.g. play golf or take in a movie) is needed (4.95).

The analysis indicates that employees have an inclination to allow the use of resources of organization for personal purposes. Since the practices are less harmful to the organization, the hypothesis managers accept unethical behaviours that are less harmful to the company can be considered as a valid statement. Organizational factors like functional area, years of experience, level of hierarchy and size of organizations and demographic factors like religion and gender do not have any influence on their views.
Acceptable unethical Organizational Practices

Managers are uncertain (3.64 to 4 on a seven point scale) in accepting some of the organizational practices which are questionable. Practices included for inquiry are:

- Exaggerating product performance.
- Getting information about competitor from garbage collections.
- Breaking product of competitors to know about it.
- Giving gifts to buyers and attracting employees from competitors.

It is found that ethics course, gender and religion among demographics and experience in case of organizational variables have influence on the views of managers. The views of managers are not influenced by functional area, hierarchy and size of the organization. It is to be noted that, the differences are only in the degree of agreement and in the range of uncertain to unacceptable.

Ethical Decision Making

Personal and Business Ethics

The hypothesis proposed for testing is:

H-3: Personal and business ethics are not the same for the managers.

Respondents agree (4.02) that sound ethics is good business in the long run. Respondents mildly agree that the ethics of the business is different from the ethics of personal life (3.57). The view is same among managers irrespective of the ethics course, religion, age, gender, functional area, experience, and level in hierarchy.

Conflicts between Company and Personal Ethics

While ethical conflicts are observed in all the contexts listed, they are relatively more in case of dealing with superiors (48.6%) and employees (41.8%). Variables like gender, functional area, hierarchy level and size of the company have no influence on the views of managers relating to conflicts between company and personal ethics.
Ethical Decision Making

The hypothesis framed for testing is as given under.

H-4 Managers prefer the most utilitarian criterion when making their choice.

Majority of the respondents (63.6 percent) say that they do what is best for everyone. About 44.5 percent of the respondents view that it is better to follow the advice of an authority when faced with ethical dilemma. Doing what improves one’s own situation is criterion for 24.5% of the respondents. There is no influence of demographic and organizational variables on the perceptions of managers in this regard.

Factors causing higher standards

The factors causing higher ethical standards are rank ordered by managers as given below.

- **Sensible business conduct** - Business’s greater sense of social responsibility and greater awareness of the implications of its acts, business responsiveness, corporate policy changes, top management emphasis on ethical action, is considered as the first most important factor which contributes to higher ethical standards in business.

- **New situation of exposure to public** - The second most important factor is public disclosure, publicity, media coverage and better communication.

- **Enlightened public** - The third most important factor is increased public concern, public awareness, consciousness and scrutiny, better informed public, societal pressures.

- **Government and judiciary** - The fourth most important factor is government regulation, legislation and intervention, federal courts.

- **Professionals** - The fifth most important factor is education of business managers, increased manager professionalism and education.

- **New society** - The respondents consider new social expectation as the role business has to play in society, young adult attitudes, and consumerism as the sixth most important factor.
"Sensible business conduct "and "new situation of exposure to public" are the two most important causal factors for higher standards. The influence of demographic and organizational variables is not significant.

**Factors causing lower standards**

There are also forces in society which cause lower standards in business ethics. The factors are ranked as follows.

1. **Wrong political climate** - Political corruption and loss of confidence in government.
2. **Competitive Economy** - Competition, pace of life, and stress to succeed.
3. **Lower societal standards** - Materialism and hedonism.
4. **Growing awareness about unethical practices encouraging crime.**
5. **Low individual integrity** - Greed, worshiping the money as measure of success.
6. **Pressure for profit** - Influences of superiors and stock holders, etc.

Gender, functional area, hierarchy level, and size of the organization have less significant influence on the rank ordering by managers.

**Organizational factors**

The respondents view that the behaviour of superiors (3.9) is an important factor that influences a manager's unethical decision inside the organization. Apart from this, other factors like "one's personal financial needs" (3.69), "formal policy on ethics" (3.67), "industrial ethical climate" (3.65), and "behaviour of one's equals in the company" (3.61) are important determinants in that order. With a low mean value of 3.36, "society's moral climate" appears to be the less important factor in this set of factors.

It is found that female managers differ significantly in perceiving the importance of internal factors (excepting the society factor) in their decision making than male managers. Functional area has no influence on the opinions of managers. Hierarchy level has some influence on the rank ordering.

**Making Organizations Ethical**

Majority of the respondents (41.82 percent) believe that business organizations are ethical to a large extent in the industry.
When asked to rate their own organization on an ethical scale, it is interesting to observe that majority (50 percent) of the respondents perceived that their organizations are ethical to a large extent.

**Importance to Ethics**

A good majority of the respondents (66.82 percent) believe that Indian business organizations give importance to ethical practices.

**Recognition and Attention**

About 40.46 percent of the respondents said that ethics is given attention throughout their organization. The remaining 59.54 percent of the respondents belong to organizations which have limited recognition and attention. Majority of the respondents (45.45 percent) said that such discussions happen now and then in their organization.

**Unethical Practices to be eliminated**

About 33.18 percent of the respondents said that they have not identified any unethical practices in the industry. The unethical practices to be eliminated according to more than 50 percent of the respondents are:

- Gifts, gratuities, bribes, call girls (78.6 percent)
- Unfairness to employees, prejudice in hiring (71.8 percent)
- Cheating customers, unfair credit practices, over selling (67.7 percent)
- Dishonest advertising (58.2 percent)
- Dishonesty in making or keeping a contract (54.1 percent)

The rank ordering is not influenced by gender, hierarchy level and functional area of managers.

**Steps Taken**

The fifth hypothesis formed for testing is proved.

H-5 Organizations are adopting ethical code to ensure the ethical behaviour of employees.
According to a majority of respondents the following steps are taken by their organizations.

- Created an ethical code of conduct for employees (71.40 percent)
- Encouraging leadership with principles (59.10 percent)
- Encouraging employees to report unethical practices they have observed (50.00 percent)

Gender, hierarchy, experience and functional area have no influence on the opinion of managers on steps to be taken to ensure ethical behaviour in their organizations.

**Effectiveness of Ethical Code**

When asked about the accomplishment of ethical code in ensuring ethical behaviour in the organization, respondents partly agreed that the code would raise the ethical level of the industry (1.9). The other benefits are:

- help executives by defining clearly the limits of acceptable conduct (2.05), and
- aids to refuse an unethical request impersonally (2.19)

Gender and experience have no influence on the views of managers. Hierarchy level and functional area have some influence on the perceptions.

**Implementing Ethical Code**

About 52.27 percent of the respondents felt that "self-enforcement" is the best in implementing the code i.e. they opined that the management of the organization itself is the right agency to implement the code. The influence of gender, experience, hierarchy level and functional area do not have significant influence on the views of managers.
Current Practices

The practices of three organizations are examined.

Practices at Wipro

In an environment characterized by corruption and growth opportunities, Wipro showed that righteousness is an extremely valuable brand attribute. By firing employees on the grounds of ethical violations the company communicated clearly the importance of ethics. Avoiding bribes and kick backs, the company has grown.

Premji has made values an essential part of Wipro’s corporate culture. The company publishes its values and its detailed rules of conduct, it teaches them to employees, and it frequently issues reminders. They’re printed on the back of their business cards. Through Values training, Interactive computer games, Refresher courses, Web messages and Whistle blower boxes, values are created and strengthened in the consciousness of employees.

The company asks dealers in the domestic Indian tech market to sign a code of conduct as a condition of doing business. If a dealer does something improper and Wipro finds out, it can result in divorce.

Wipro cares for the corporations’ social responsibility initiative, combines company money with employee volunteerism. Azim Premji foundation is an attempt to help transform Indian society through improving public education.

Practices at Micromatic Grinding Technologies (MGT)

Ethical policies established within the organization, leads to ethical behaviour outside. The basic ethical principles on which the company tried to build the culture of the organization are honesty, integrity, trust, equity, fairness and justice. The company
has maintained a policy of free communication from top-down with the employees. Every person in the company as an individual gets respected, irrespective of the nature of work he does in the company. Also, every one has the right to express himself, and it is the duty of all seniors to listen. It helped develop the mutual trust between the employees and the top management, which has been the key to establishing basic internal ethics. Balance between the working environment for factory workers and office staff, including top management, to avoid unhealthy disparity within the organization is another unifying factor. M G Lok Kalyan Trust was formed in 1990, and certain percentage of the profit is allocated to the Trust each year. The Trust is dedicated to the educational, health and medicare needs of the less privileged.

**Practices at Mind Tree**

Mind Tree believed that implanting ethical corporate values was absolutely essential for long-term strategic success. Mind Tree believes that values drive behaviour, and behaviour drives results. They are trying to build a value system in the organization, that cuts across various cultures to ensure that those values ultimately drive business ethics. It is believed that ethics inculcates uniformity, consistency and predictable behaviour across the organization. At Mind Tree Consulting, the value system of CLASS is like oxygen that you have to breathe day in and day out, to survive long-term.

Mind Tree’s value statement – ‘we are a Caring, Learning, Achieving, Sharing and socially responsible organization (CLASS)’ – connotes integrity, ‘doing the right thing’, and a genuine concern for our stakeholders. Corporate values and ethical standards are visibly integrated into their policies, managerial practices and actions. It has contributed to their treating investors, clientele, employees, vendors and even the competition ethically.
Mind Tree is committed to reinforce ethics through word and deed. It is made the responsibility of every Mind Tree employee to build an ethical environment around a strong edifice of deeply envisioned values and convictions. The company weaved its culture around widely dispersed power and high personal responsibility to create a new generation of knowledge workers who will mature into more complete individuals. It helped integration of social responsibility automatically into their value system.

Ethical violations by employees are approached carefully. It ensures that they do not leave any stone unturned in recognizing an individual's integrity. After establishing the requisite evidence, action is taken. At the same time, analysis is made to correct the system for further lapses.

Influence of demographics and organizational variables

The two hypotheses framed to examine the influence of demographic and organizational variables are given under. Table VII.1 and VII.2 show the influences

H-6 Ethical attitudes are influenced by demographic factors of managers (ethics course, age, gender, religion and experience).

H-7 Ethical attitudes are influenced by organizational factors (functional area, hierarchy level and size of the company).

From the tables (VII.1 and VII.2), it is clear that the influence of demographics and organizational factors is not statistically significant.
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DISCUSSION

To what extent the findings of the present study compare with those of earlier studies? What are the implications of these findings to the organizations?

Ethical Attitudes of Managers

Values of Managers

Personal values are considered important by many researchers. Mauro and James (1988) opined that code of behaviour, although a derivative of personal values is viewed as distinctly different from a personal value system. Showalter, Edward Daniel (1997) observed that individual character which influences ethical behaviours of managers has pillars of character, trustworthiness, responsibility, respect, caring, fairness and citizenship. Williams and Murphy (1990) suggest that strength of moral character is an important moderator of the relationships between intentions and behaviour. The individuals with high moral character would have the strength of will to behave in a manner consistent with their ethical judgments.

A study by Hunt, Wood, and Chonko (1989) found that corporations that have high ethical values will have employees who are extremely committed to the organizational welfare.

Mohammed Galib Hussain’s (1999) study found that ‘Reverence, Purity of mind, Truth, Gratitude, Love, Liberation, Loyalty, Code of life, Purity of motive and Self-actualization’ are among the prime values of managers. A similar view is found in the present study. The respondents of the present study viewed ‘Self-actualization, Purity of motive, Purity of mind and Code of life as very important values. There is a significant similarity in the findings of both the studies.

Responsibility to Stakeholders

The group to whom executives feel the greatest responsibility comes through clearly and unmistakably: the ‘customers’. Stockholders and employees have taken second and third positions according to the study of Brenner and Molander (1977). In the
present study also the group to whom the respondents feel the greatest responsibility is clearly the 'customers'.

**Acceptable Unethical Behaviours of Employees**

Indian executives seem to be getting their hands dirty in all kinds of murky activities, with 50% of Indian companies experiencing corporate fraud. (KPMG Survey, 2002) Manipulation of expense accounts, Secret commissions and kickbacks, Forged documents, Misappropriation/diversion of funds come in next. Krishnan and Manohar Reddy (2002) found that almost 58% of management students believe that if a person manages to do well in his/her career and life by networking and politicking even without doing his/her work properly, it is okay. Arun Monappa's study (1977) observed that the problems that caused managers the greatest concern were those which involved 'buying business' using gifts, bribes, personal favours etc. Personal problems also caused anxiety, but mostly due to a conflict of the head and heart when emotions came in the way of responsible decision-making.

Management Today's survey (2000) found practices like: Cut corners on quality control; Covered up incidents, Abused or lied about sick days, Lied to or deceived customers; Put inappropriate pressure on others.

The present study has similar observations. Practices like “taking a relative along on a company business trip”, “charging large amount for taxi to expense accounts when actually walked or taken a public transport” and “taking home a few supplies” are unacceptable, the respondent managers have soft corner to practices like ‘using a company car to make a personal trip, using a company telephone, fax, or computer for personal business, making personal copies on a company copy machine, charging wine and cocktails as well as food on a company business trip, and calling in sick when some personal time (e.g. play golf or take in a movie) is necessary are identified in the present study.
Acceptable Organizational Unethical Practices

In a landmark study on ethical perceptions of management students of reputed institutes, Krishnan and Manohar Reddy's survey (2002) found that there is a high level of agreement (about 83%) among management students with the notion that it is acceptable to break apart a competitor's product to study its inner workings. This is consistent with the view that it is not unethical to buy a product and then analyze it as long as it is publicly purchased, bought for fair value, intellectual property rights are not violated and the product is not copied exactly and passed off as one's own. About 63% do not think it is all right to exaggerate the performance of a product in order to achieve higher sales. But the group is almost evenly divided on the appropriateness of sexually suggestive messages in advertisements to attract the attention of potential customers. Over 63% have nothing against the advertisement of cigarettes and alcohol. About 68% believe that if a bribe is a must to get what is legitimate, as happens in some government offices, they have no choice but to pay up.

The managers in the present study are unable to decide what is right or wrong on issues like: 'exaggerating product performance, getting information about competitor from garbage collections, breaking product of competitors to know about it and giving gifts to buyers and attracting employees from competitors'.

Ethical Decision Making

Personal and Business Ethics

The study of Trufio & Edward James (1990) suggested that organizational members are better able to reach their moral potential if their work values are compatible with those found in a corporate culture.

In the present study, respondent managers mildly agreed that the ethics of the business are different from the ethics of personal life. Similar findings are obtained in other studies.
Stark (1993) found that personal and business ethics are viewed differently. The study of management students by Krishnan and Manohar Reddy (2002) is worth considering here.

(i) More than 62% of the respondents disagree with the notion that personal conscience and values ought not to come in the way of business decisions, which are in the interest of the organization. About 71% reinforce this by saying that if the employer were to force them to do some thing against their conscience, they would leave the organization.

(ii) Almost 65% disagree that one can't have the same stringent standards in business dealings as in personal life and almost 55% disagree with the notion that the ethics of business and family and personal life are different. At the same time, more than 56% believe that to achieve success in business dealings one may occasionally have to indulge in a certain degree of dishonesty and half-truths.

(iii) More than 86% of the respondents agree that there are absolute and minimum standards of ethics that everyone should maintain. But there is not the same degree of agreement on what these standards are.

(iv) More than 69% believe that while team work is important, one need not always sacrifice one's own personal interest for the sake of the team. A little over two-thirds endorse the statement that it is a dog-eat-dog world and that each person has to take care of his/her own interests before being concerned about others' interests.

Thyagi and Gupta, (2005) concluded that, congruence or fit between individual and organizational values tends to enhance the individual's attachment and involvement with the organization. When there is a match between (i) the organizational culture, values, goals and (ii) the individual's values, goals, personality attributes; people would be willing to exert high levels of effort on behalf of the organization.

From these findings, it is obvious that personal and business ethics differ and there is a need to understand the difference.
Conflicts between Company and Personal Ethics

The present study reported that ethical conflicts are observed in all the contexts, but they are relatively significant in case of dealing with superiors and employees. The conflicting interests are highlighted by Bartlett and Ghoshal, (1994) who observed that leaders of the firm need to achieve financial targets, but also go about "identifying, communicating and shaping organizational values". De George (1993) highlighted pressures on individuals to highlight personal norms, inconsistent cultural norms and conflicting interests. The findings of Trunfio & Edward James (1990) suggest that organizational members are better able to reach their moral potential if their work values are compatible with those found in a corporate culture.

Ethical Decision Making

Majority of the respondent managers in the present study said that they do what is best for every one. T. K. Das, (1985 and 1992) in his studies on ethical preferences among business students found that there is no single principle that is recommended to be always used. As one gets into each principle, one encounters a number of problems with definitions, with measurements and with generalizability. The more one gets into each principle, the more one realizes how difficult it would be for a person to use each principle consistently as a guide to decision making. Fritzsche and Becker (1983) studied ethical decision-making by managers and found that majority follow utilitarian theory. Ashutosh P Bhupalkar (1999) in his survey on downsizing as an ethical issue got results that suggest that Indian managers prefer the most utilitarian criterion when making their choice.

Factors causing higher standards

Soloman (1992) and Nasher (1997) persuasively argue for the central role of community in ethics. Brenner and Molander's (1977) study revealed that public disclosure and concern over unethical business behaviour are the most potent forces for improvement in ethical standards. The present study has identified similar factors.
Factors causing lower standards

Brenner and Molander’s (1977) study revealed that lower standards of society, social decay, hedonism, individual greed are the factors which mostly influence a decline in ethical standards. Arun Monappa’s study (1977) observed that various circumstances like unnatural competition, company policy, a plethora of rules and regulations, corruption and greed among government officials, red tapism, nepotism and suffocating regulations were considered obstacles to ethical business behaviour. Further, dishonest methods used by competitors and the unethical climate of the industry were often cited as deterrents to the honest transaction of business.

The factors as given by managers in this study are similar.

Organizational factors

The respondents of the present study view that the behaviour of superiors (3.9) is an important factor that influences a manager’s unethical decision inside the organization. Arun Monappa’s study (1977) concluded that the influence of superiors, through whom company policy is most often transmitted, was considered important in influencing ethical action. Wimbush, (1999) opined that superiors muster a large amount of control over the subordinate’s behaviour and well being. Subordinates look upon their superiors as role models for acceptable behaviours. Ryncarz, Robert Alan hypothesized that (1997) certain behaviours of managers have an effect in the manager subordinate relationship. Ethical behaviour leads to trust between individuals in organizations. This was the major finding of the study by Deniz Boru and Guler Islamoglu (2005). The study focuses on the importance of ethical behaviours of individual managers in building trust, which is very essential to make the organizational climate more conducive, healthy and productive.
Making Organizations Ethical

Importance to Ethics

In the present study respondents agreed that 'sound ethics is good business in the long run'. It is also found that a good majority of the respondents believe that Indian business organizations give importance to ethical practices. Arun Monappa's study (1977) concluded that a majority of business managers believe in good ethics. According to him, managers were dissatisfied with the idea that the profits should be the only the guideline for a businessman in the decision making process. Trevino (1986) observed that organizations are giving due importance to ethics over the recent years, without which coexistence does not happen. Panchalan (2000) found that employees have positive attitudes towards the ethics but there are mixed responses toward different employee ethics.

Unethical Practices

The unethical practices to be eliminated according to the present study are gifts, gratuities, bribes, call girls, unfairness to employees, prejudice in hiring, cheating customers, unfair credit practices, over selling and dishonest advertising. Other studies have similar findings. Vitell and Festervand's (1987) survey revealed that gift giving and kickbacks caused the greatest ethical challenges and unfair pricing, bribes, gratuities, gifts and cheating were also problematic.

Steps Taken

In Arun Monappa's study (1977), managers constantly reiterated the importance of company policy in influencing ethical action. A man's personal code of conduct was given only second place. A majority of managers welcomed the idea of a code of conduct and felt it would help to improve the ethical climate in industry.
According to Weaver, Trevino and Colhram (1999), formal corporate ethics programmes are very useful in creating a positive ethical climate in the organization. The survey (Tuyteja, 1996) indicated that weak internal controls (24 percent) and lack of ethical values among the employees (20 percent) are to be blamed. Some of the areas that a good fraud risk management process should cover are: a sound ethics policy and code of conduct, a well defined whistle blowing policy, periodic fraud risk assessments, good internal audit function and requirement for a pre-employment screening. An estimated 95 percent of Fortune 500 corporations as well as many smaller companies have now adopted ethics statements or codes of conduct. A study by Thomas R Wotruba, Lawrence B Chonko, Terry W Loe (2001), indicated that organizations that have a value orientation develop strong ethical codes.

According to majority respondents in the present study the steps taken by organizations include: ‘Created an ethical code of conduct for employees, encouraging leadership with principles and encouraging employees to report unethical practices they have observed’.

**Accomplishments of the Code**

Studies such as Clark and Leonard (1998), Ford (1982) and Mathews (1998) found that codes do not influence ethical behaviour. On the other hand, Adams (2001) and Somers (2001) found some relationship between them. In the present study, when asked about the accomplishment of ethical code in ensuring ethical behaviour in the organization, respondents partly agreed that the code would raise the ethical level of the industry.

**Implementing Ethical Code**

A majority of respondents in the present study felt that “self-enforcement” is the best in implementing the code i.e. they opined that the management of the organization itself is the right agency to implement the code. According to Arun Monappa’ (1977) study managers felt that the management of each company (i.e. self-regulation) would be the authority best suited to enforce the code.
Chakraborty (2003), using the word ‘adherence’ instead of compliance, says that it has to be enforced by each individual in the management and working for corporations from within. This is what is meant by ‘consciousness ethics’. Consciousness ethics is an inside-out approach that encourages in the task of fostering a spontaneously felt inspiration for ethical behaviour.

Krishnan and Manohar Reddy (2002) in their study of management students found:

Almost 90% are of the view that good ethics is no substitute for performance and that the observance of a strong ethical code cannot be an excuse for non-performance by the organization. Further, almost 72% of the respondents believe that organizations need not show any leniency to employees on humanitarian considerations and should deal with them based solely on their performance. At the same time, more than 73% believe that unethical practices are not justifiable in the name of performance.

Gender and ethics

Kaushal (2004) conducted a study to assess the level of ethical work culture in banks of Shimla city and compared women employees to male counter parts in their ethical standards at work. From results it is concluded that women are not only more dedicated to work than men but also ethically sound. In a survey of 47 studies (1996 & 2000) regarding ethical sensitivities, Collins found that 32 studies concluded that women are more ethically sensitive than men and 15 found no difference between men and women. In the present study, gender has influence on 2 out of 13 issues examined. The two issues are: acceptable unethical practices of organizations and organizational factors influencing ethical decision making.
Ethics course and ethics

Collins (1996-2000) reported that the research findings on the impact of business ethics courses and coverage of ethics issues on ethical sensitivities are mixed. Sparks and Hunt's (1998) study found that there is a negative relationship between ethical sensitivity and formal training in ethics received by respondents. In the present study, the influence of ethic course is not significant.

Religion and ethics

Arun Monappa's study (1977) found that the ethical attitudes of those who belonged to a religion which was more organized, were no better than those in whose religion there is not much scope for guidance. The findings of Thomas & Walter JR’s (1991) reveal that religion found a base for the respondent's ethical beliefs and on ethical decision making in business and organizational performance. The present study found that religion has no influence on ethical attitudes of managers.

Age and ethics

Arun Monappa's study (1977) observed that the attitudes and reactions of older business managers to situations, demonstrated a greater ethical awareness than that of younger managers. In the present study such difference is not found.

Size of the company and ethics

Arun Monappa's study (1977) concluded that the size of the company, by and large, had no discernible influence on ethical decision making. The present study has a similar finding.
CONCLUSIONS

The following conclusions can be drawn from the above findings.

Ethical Attitudes of Managers

Managers in the study have personal values which are self transcedent characterized by self-actualization, purity of motive, purity of mind and code of life and similar ones supportive to ethical intentions and behaviour. For ethical considerations, all the stakeholders are the reference points as managers opined that all the stakeholders are important. In viewing the ethical behaviours, there is some difference as expected. Some of the behaviours which are unethical are liberally considered acceptable. Perhaps such practices like using company’s stationery or telephone for personal purposes may symbolize freedom and sense of belonging with the organization. They may be motivators for good performance. Managers are aware that some of the organizational practices to win over the competition are questionable from ethics point of view, but are unable to reject them as they sometimes provide leverage to the firms. Thus some unethical practices which are relatively less harmful to society are acceptable from the managers’ point of view. From this, it can be said that the operational definition of ethics should be less rigorous.

Another finding is personal and business ethics differ and there is a need to understand the difference. Further the present study reported that conflicts between personal and business ethics are observed in all the contexts, and they are relatively significant in case of dealing with superiors and employees. Therefore, the definition of organizational ethics should not be equated with the definition of personal ethics.

Ethical decision making

‘What is best for every one’ is the guiding principle in ethical decision making. However, individual factors like hedonism and individual greed, organizational factors like behaviour of superiors and company policy, are often cited as deterrents to the observation of this principle. The external environment is only partly supportive to ethics. There are positive factors like sensible business conduct, new situation of
exposure to public, enlightened public, liberalized government policies, and growing professionalism. There are negative factors like corruption, intense competition, and pressure to make profit.

Therefore, the importance of ethical behaviours of individual managers in building trust is very essential to make the organizational climate more conducive for ethical behaviours.

**Ethical Organizations**

Sound ethics is considered good business in the long run and Indian business organizations give importance to ethical practices. The challenge is in removing some prevalent unethical practices like gifts, gratuities, bribes, call girls, unfairness to employees, prejudice in hiring, cheating customers, unfair credit practices, over selling and dishonest advertising. Measures like ‘creating an ethical code of conduct for employees, encouraging leadership with principles and encouraging employees to report unethical practices they have observed are adopted by organizations’.

**Ethical code cannot be successful unless ‘self-enforcement’ is encouraged.** This is what is meant by ‘consciousness ethics’. Consciousness ethics is an inside-out approach that encourages in the task of fostering a spontaneously felt inspiration for ethical behaviour.

**Influence of Demographic and organizational factors**

The study concludes that demographic factors of managers (age, gender, religion and experience) and organizational factors (functional area, hierarchy level and size of the company) have no influence on views of managers on ethics. Though women appeared to be more sensitive to ethical issues, it is not conclusively established. Therefore, organizations need not structure their policies differently to create ethical attitudes and behaviours of managers.
Ethics course and ethical attitudes

A course in Ethics has no influence on ethical attitudes. Training programmes on ethics should be well designed if they have to influence the managers.

Is ethics, a practical concept?

- Organizations can be ethical if there is the will to be ethical. This is conclusively proved by the stands taken by the three organizations - Wipro, Micromatic and Mind Tree.

SUGGESTIONS

The factors influencing ethical decisions, other than individual are arising from the two sources - organizational and environmental and they are not fully supportive of ethics. How to make them supportive?

To Organizations

First, the concept of ethics is nebulous. Therefore every organization should make it clear to the employees what ethics means to it. This can be done by establishing a statement of values or a code of ethics (conduct).

Second, since personal and business ethics differ, two situations of challenge arise.

(i) An employee having high personal ethical standards may be looking for an opportunity to express difference of opinion or struggling to adjust.

(ii) An employee having low ethical standards than desired will be indulging in violations or struggling to learn.

The situations point out the need for (i) supervision (ii) employee training and (iii) reward - punishment system. As reported in the study measures like 'creating an ethical code of conduct for employees, encouraging leadership with principles and encouraging employees to report unethical practices are suggested. Ethical code cannot be successful unless 'self-enforcement' is encouraged. This is what is meant by 'consciousness ethics'. In view of this, managers, on one side by their ethical behaviour should establish trust
and make the organizational climate more conducive for ethical behaviours, and on the other, should undertake training programmes to inculcate the spirit of ethics and skills of ethical decision making.

*Lessons from Wipro, Micromatic and Mind Tree*

Based on the practices of the three organizations studied, the following guidelines can be evolved.

- Establish ethical goals and policies. Righteousness is an extremely valuable brand attribute. Avoiding bribes and kick backs, a company can grow.
- Build a value system that cuts across various cultures to ensure that those values ultimately drive business ethics. The basic values are honesty, integrity, trust, equity, fairness and justice. Create ethical consciousness.
- Build trust by ensuring equity in dealing with employees. Respect to one all, right to express views and balance between the working environment for factory workers and office staff, are essential concerns to develop mutual trust.
- Empower employees to obtain voluntary ethical behaviour. Weave the company's culture around widely dispersed power and high personal responsibility to create more complete personal. It helped integration of social responsibility automatically into their value system.
- Maintain a policy of free communication from top-down with the employees. Publish values and detailed rules of conduct, teach them to employees, and frequently issue reminders. Send web messages and print them on the back of the business cards.
- Firing employees on the ground of ethical violations, a company can communicate clearly the importance of ethics.
- Conduct values training, interactive computer games and refresher courses
- Set up whistle blower boxes.
- Ask dealers to sign a code of conduct as a condition of doing business. If a dealer does something improper take corrective action.
- Care for the corporations' social responsibility initiative, and combine company money with employee volunteerism.
Based on the above lessons and the 'Best practices model' the following suggestions are offered.

1) Values and mission statements

- **Concern**  Top management has to be more concerned in implementing and inducing ethical climate in the organizations. As Peter F Drucker says “an organization rots from the top”. It is the management which is responsible for encouraging and implementing many ethical measures in the organization. Build a value system that cuts across various cultures to ensure that those values ultimately drive business ethics. The basic values are honesty, integrity, trust, equity, fairness and justice. Create ethical consciousness.

- **Corporate governance**  Concern for good corporate governance practices is the best way to ensure ethical behaviours in organizations. Good corporate governance creed should be formulated and adopted. Boards of directors may include outside directors, such as influential academic, minority, and religious leaders, who give “society’s” view during decision making.

- **Consideration of stakeholders' needs**  Today’s organizations have to be more responsive to community. This responsiveness itself induces ethical behaviour. Organization should be responsive in creating an awareness or enlightenment at least in their immediate community. So that this it self is enough to create an ethical climate, which automatically takes care of other unethical activities. Conflict of interest with different stakeholders can be reduced if the company has proper guidelines and standards specified for each stakeholder. Superior subordinate relationship has to be enhanced by having team appraisals and team orientation. So that, they act as a single unit, thus minimizing conflicts among them.

- **Establish policies**  Establish ethical goals and policies. Righteousness is an extremely valuable brand attribute. Avoiding bribes and kick backs, a company can grow.
• **Prepare ethics manual** If an organization is keen to set up explicit norms that will guide its general business principles and code of conduct, it needs to first craft a business ethics manual. Such a manual will begin with the ‘Vision Statement’ and proceed from there to a clear declaration of actual norms, practices and what the company considers to be strict. A good ethics manual will integrate these different aspects within a common and reiterative scheme such that the whole manual hangs together as a unity.

• **Set up social responsibility goals** Care for the corporations’ social responsibility initiative, and combine company money with employee volunteerism.

2) **Communication**

• **Articulation of the company's stand** Codes of conduct be formulated and communicated to the employees, to make the stand of organization clear. Common frame-work to guide behaviour. Code should emphasize principles over procedures. It should be developed and supported by both management and staff. Ask dealers to sign a code of conduct as a condition of doing business. If a dealer does something improper take corrective action.

• **Communication** It is important that people talk openly about ethics and values and that ethics and values are integrated into business decision-making. Maintain a policy of free communication from top-down with the employees. Publish values and detailed rules of conduct, teach them to employees, and frequently issue reminders. Send web messages and print them on the back of the business cards.

3) **Feedback gathering and analysis**

• A climate of openness and a system of continuous feedback and review should be developed by organizations. This could be done by a system where everyone is allowed to communicate freely of what they think as unethical in the organization. Surveys/focus groups/interviews and diagnostics to know the views of stakeholders should be a common practice.
4) Functional responsibility

- **Empowerment**  Empower employees to obtain voluntary ethical behaviour. Weave the company’s culture around widely dispersed power and high personal responsibility to create more complete personal. It helps integration of social responsibility automatically into their value system.

- **Leadership**  It is important to establish that executives and supervisors care about ethics and values as much as they do about the bottom line. Every superior has to be given responsibility of the performance of their subordinates. The responsibility should be on both ethical and efficient behaviour. There should be Consistency between words and actions. The leadership behaviour should establish management “practices what it preaches”. This is more important than formal mechanisms such as hotlines for people to report wrongdoing. Another important expectation of employees is fairness, that the organization should operate fairly. To most employees, the most important ethical issue is how the organization treats them and their co-workers.

- **Trust as foundation for relationship** Build trust by ensuring equity in dealing with employees. Respect to one all, right to express views and balance between the working environment for factory workers and office staff, are essential concerns to develop mutual trust.

- **Open Book Management**  The goal of open-book management is to get employees to think like an owner by seeing the impact of their decisions and actions on financial results.

- **Forums for discussion and reporting** Quality circles can be formed where discussions on ethical issues can take place frequently. Certain practices which cannot be made public could be encouraged to communicate to the top management where the management takes care to be confidential. At the same time remedies should be arrived at without victimizing the person who communicates. Whistle blower boxes may be set up for employees to report on internal unethical practices.
• **Stress free work** Also, it is the responsibility of the management to create a climate which do not create high stress and competition that makes employees to adopt unethical means. Stress relieving techniques can be adopted as a means to this. The values like love and harmony have to be continuously reminded to all employees through continuous sessions on spirituality, the ultimate purpose of life and humanity.

• **Hiring decisions** Ensuring that people with commitment and loyalty are to be recruited in their organizations is important. This is possible only when there is a pre-employment screening. Now a day, many psychometric tests are available. These have to be developed to test the ethical beliefs of the candidates and whether they suit the organization.

5) **Education and training**

• **Continuous training** Training programmes on ethics are important. Conduct frequently values training, interactive computer games and refresher courses.

• **Relevant programmes** It is better if organizations offer tailor made ethics course to various categories of employees. Generally speaking, ethics training is most effective when it is conducted by company managers, and is steered away from abstract philosophical discussions to focus on specific issues from the work environment.

• **Practice-oriented** Programmes should be interactive involving participant trainees.
  
  o **Cases** Sessions can be conducted, on the unethical practices which happened in the organization, without revealing the names, to clarify what is right and wrong for the company.
  
  o **Ethics game** Individuals are grouped into small groups or large groups are divided into several teams. Individuals or teams are presented with ethical dilemmas based on the company's actual experiences. The goals of the game are to help employees recognize ethical dilemmas and increase their understanding of its rules and policies regarding ethical behaviour.
6) Performance reviews/standards

- **Monitoring agents** Employees/departments with ethics responsibility are to be assigned the task of monitoring ethical conduct in the organization. Many companies have ethics committees to advice on ethical issues. Such a committee can be a high-level one, comprising the board of directors and chaired by the CEO of the company.

- **Ombudsman Position** An ombudsman is a person within an organization, often an elder and respected manager, close to retirement, who has been relieved of operating responsibilities and assigned the task of counseling younger employees on career problems, organizational difficulties and ethical issues. Often the ombudsman can go considerably beyond counseling and investigation and is able to act informally to resolve problems.

- **Reporting systems** There should be reporting/advice channels (eg hotlines, compliance officer)

- **Reporting** There should be periodic declarations/acknowledgements of compliance.

- **Appraisals** Performance should not be compromised for ethics but to be balanced. Hence, a performance appraisal system which does this balance has to be implemented. Inclusion of ethical criteria in performance reviews of divisions/functions and in employee appraisal/reward systems is a must.

- **Reward system** A system of just rewards for rewarding ethical behaviour is essential. This has greater influence on the effectiveness of an ethics programme than the perception that unethical behaviour is punished.

- **The ethical and social responsibility review** - Written regulations cannot possibly cover all potential marketing abuses, and existing laws are often difficult to enforce. However, beyond written laws and regulations, business is also governed by social codes and rules of professional ethics. Enlightened companies encourage their managers to look beyond what the regulatory system allows and simply "do the right thing". These socially responsible firms actively seek out ways to protect the long-run interests of their consumers and the environment.
7) External assessment

- Periodical assessment of business ethics activities by external bodies will go a long way in providing right direction and also a sense of satisfaction to the organization. Further it helps, to project a right image of the organization to the stakeholders.

To Industry /Business Associations

Since ethics is important, enlightened business organizations have become aware of the greater sense of social responsibility, and awareness of the implications of its acts that are contributing to higher ethical standards in business. Public disclosure regulations by government and publicity by media, better informed public, increased manager professionalism and education and consumerism are encouraging the ethical behaviour of organizations. However, there are certain factors that lower ethical standards like: political corruption, competition and stress to succeed and pressure for profit by the influences of superiors and stock holders, etc. There is downslide in ethical standards in society as well.

Given this paradoxical situation of high ethical expectations on one side and declining ethical behaviours on the other, individual companies shall face problems from corrupt official and politicians, fellow business organizations, and trade members. It is here that the industry associations have a role to play.

- Education and Persuasion

Associations can promote business ethics by educating the members about the importance of, and the need for, having business ethics, and persuading them to give due regard to ethical principles in the conduct of their business. The members should understand that if every businessman follows business ethics, every one of them would be benefited and there would be an improvement in the general image of the business community in the eyes of the public. The means of education can be many. They include: training programmes, workshops, conferences and celebrations of Ethics day. They may include distribution of literature (news letters, books, magazines etc.) or sending e-messages, web messages and stories of ethical organizations.
*Code of Ethics*

Associations can formulate a Code of Conduct for their members. The code of conduct will not only guide but also regulate the conduct of business by the members.

*Moral Sanctions*

Sanctions refer to the ways in which moral conduct is rewarded or misconduct is punished. Such incentives and punishments should be expected to promote business ethics. A trade/industry association may even debar a member for a serious violation of the code of conduct. Fear of such punishment might prompt members to refrain from unfair business practices. On the other hand, public recognition and reward for high moral standards in business might give a positive inducement to them to practice business ethics.

To Government

In the present study, the fourth most important factor in encouraging ethical standards is government regulation, legislation, and federal courts. At the same time, wrong political climate characterized by political corruption and loss of confidence in government are the reported negative factors. In view of this, there is a need for government and political parties to check the unethical behaviours of politicians to avoid corruption and work for stable government. To curb corruption Jayapraksh Narayan, Ex IAS official, suggested four broad strategies.

(i) Electoral Reforms

First, we need comprehensive electoral reforms to make funding transparent and accountable, to curb criminalization and polling irregularities, to eliminate political fiefdoms and transform politics from big business to public service, and to ensure that honesty and survival in public service, and to ensure that honesty and survival in public office are compatible.
(ii) Review of Regulatory Functions and Procedures

There are several rules and procedures whose only impact on the public is extortionary corruption. There is need for a comprehensive review of the regulatory functions and procedures in every department and agency, with three objectives:

- Identify unnecessary regulations and repeal them
- Improve, simplify and make transparent procedures in respect of those regulations and services still relevant
- Specify levels of responsibility for each official in the hierarchy, so that accountability becomes real and meaningful.

For example, widespread petty corruption was eliminated by repeal of the Hackney Carriages Act in the mid 70s when cyclists were exempted from obtaining licenses.

(iii) Tools for Collective Action

Apart from the deregulation efforts, citizens need effective tools for collective action. Right to information on all matters of governance with very few specific, limited exceptions in the interest of national security etc., should be enshrined in law. Article 19 of the Constitution and several Supreme Court judgments recognize the right to information as a fundamental right. Though the act was made, there is much to be done to strengthen it.

For some years now, Citizen's Charters are being released by various departments. A true citizen's charter should fix responsibility on individual public servants, specify performance standards, and provide compensation to citizens for delays. We need such effective charters for all public services with compensation and clear penalties for non-performance.

(iv) Public Opinion and Action

The fight against corruption is too important to be left to a few formal institutions or politicians. Experiences all over the world have shown that determined initiatives with public support can and will succeed in curbing corruption and cleaning the system effectively. Heightened public opinion and assertion by citizens' bodies can reduce, if not eliminate, corruption.
To Educational Institutions

For growing ethical concerns, an important factor is education of business managers, increased manager professionalism and education. Another important factor is the new young adult attitudes and social expectation for the role business is to play in society and the growing consumerism. The credit goes to educational institutions, especially the management institutes. However, there are certain negative forces in the offing. They are lower societal standards characterized by materialism and hedonism (especially with the loss of influences of religion and home) and low individual integrity (because of greed, and worshiping the money as measure of success).

In view of this, educational institutions should do well by introducing ethics courses which are more practical rather than rhetorical. Learning by analysis of situation based ethics; one will acquire not only ethical attitudes but also skills of ethical decision making. Thus ethics need not be a separate subject by itself, it should be integrated with every subject that the student learns.

To Media Organizations

The second most important factor for growing ethical concerns is public disclosure, publicity, media coverage and better communication followed by increased public concern, public awareness, consciousness and scrutiny, better informed public and societal pressures. Obviously, media organizations can take pride for the constructive role they have played in publicizing the wrong and right behaviours of the organizations and managers. They are expected to maintain the same with novelty in reporting best practices and highlighting good business organizations.
DIRECTIONS FOR FUTURE RESEARCH

A cursory glance at the earlier studies reveals the coverage of five issues as shown in Exhibit –VII.1.

Exhibit –VII.1.Coverage of Earlier Research

<table>
<thead>
<tr>
<th>S.No</th>
<th>Issues</th>
<th>Researchers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Concept of ethics and ethical practices</td>
<td>Arun Monappa (1977) and KPMG Survey (2002) and (2006)</td>
</tr>
<tr>
<td>3</td>
<td>Values of managers</td>
<td>Hussain (1999)</td>
</tr>
<tr>
<td>4</td>
<td>Ethical attitudes of managers</td>
<td>Bhupalkar (1999), Panchalan (2000), Bhal and Sharma (2000), and Seema Sanghi (2002)</td>
</tr>
<tr>
<td>5</td>
<td>Ethical decision making</td>
<td>Brenner and Molander’s (1977), Soloman (1992), Nahser (1997), and Sunil Kumar Maheswari and M P Ganesh, 2006</td>
</tr>
<tr>
<td>6</td>
<td>What are organizations doing to be ethical?</td>
<td>Kaushal (2004) and Tyagi and Gupta, (2005)</td>
</tr>
</tbody>
</table>

The present study covers 1, 3, 4, and 5 issues. There are cross sectional studies and surveys but very few longitudinal studies and case studies.
The future research can focus on the following gaps.

1. Sector/industry wise studies to know specific significant ethical issues.

2. Longitudinal studies to find out the trends.

3. Single company case studies to describe how ethics is institutionalized in the organization.

4. The culture and ethics relationships and suitability of a culture for ethical behaviours.

5. The design of selection programmes for choosing ethical persons.

6. The effectiveness of training programmes on ethical behaviour.

7. The effectiveness of the best practices model described in this study to conduct ethical audit of organizations.