



## A STUDY ON CORPORATE ETHICS IN IT SECTOR- PERCEPTIONS OF SELECT EMPLOYEES

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### **Abstract**

*Corporate ethics through self-conscious way of viewing at business has revealed a major development since 1980's. Massive expansion and paradigm shift in business growth paved to globalization which made possible for diverse nations to trade on a large scale. Corporate Ethics is not just about being moral and doing things right way but constitutes ethical principles and standards that monitor behavior in business world for their strategy formulations and day-to-day operations. Complex global corporates of 21<sup>st</sup> Century face multitude ethical issues and unethical practices: financial irregularities, non-compliance, Human rights, Environmental issues where Corporate Ethics is believed to be cornerstone of any business for building trust and confidence among its stake holders towards long term sustainability. Frauds of Harshad Mehta, Ramalinga Raju of Satyam have traumatized and let down corporate world which prepared IT companies to unlearn and relearn significance of integrity, transparency and open communications. Adopting and successfully implementing a code of business ethics, will in the long run translate into economic gains to success in global market.*

*Codes of ethics are being increasingly adopted in organizations worldwide, yet their effects on employee perceptions and behaviour have not been thoroughly addressed. In this perspective, research is embarked to discover the perceptions of employees en route for corporate ethics and analysis done through self-administered questionnaires in IT companies. The presence of corporate codes of ethics was associated with less perceived wrongdoing in organizations, but not with an increased propensity to report observed unethical behaviour. Further organizations that adopted formal codes of ethics exhibited value orientations that went beyond financial performance to include responsibility to the commonweal.*

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## **Introduction**

### **"ethics In Business Has To Reflect Ethics In Society"**

*Warren buffets rule of thumb: "I want employees to ask themselves whether they are willing to have any contemplated act appear the next day on the front page of their local paper – to be read by their spouses, children and friends – with the reporting done by an informed and critical reporter".*

Business ethics a function of the business philosophy contained by itself, the way of thinking of business may be a game mentality, but not all of business ethics are defined by this game like business culture or by the business community. The nature of business is defined by existing trends in the society where business operates. Society tends to support or daunt particular aspects of business on the origin of its own moral values and interests. Ethics is philosophical term derived from the Greek word "ethos" meaning character or custom. Ethics are the principles that will tell us the right thing to do, or what things to do, or what things are worth doing. Ethics refers to a set of standards governing behavior; it refers to broader-based, value-driven rules (Sims, 1992; Jansen and von Glinow, 1985; Kubal, Baker and Coleman, 2006). Regardless of the growth in business ethics research over the past two decades, researchers have inadequate investigations with regard to observation and perceptions of business ethics for those betrothed in IT Companies. Witnessed by financial debacles faced by Enron & World Com, the researchers and practitioners gave all ears on studying ethical conduct amid bigger corporations whose down fall have been exposed to influence gamut of business and the general population. This interest later on extended to comprehensive training and education which paved way of preventing unethical behavior. According to Donaldson and Werhane (1993) ethics signifies "whatever is right and good for humans" (PP.2) and business ethics implies to the study of the human values of people in business practices. On the whole Ethical studies are concerned with perceptions, attitudes and values of people in society. Ethical perceptions and beliefs effects people's attitudes and the degree to which they accept or do not accept unethical practices or the manner in which they view ethical decisions made by other people (Lantos, 1987)





In India majority of businesses act ethically most of the times, a fact that most people do not realize, so there is a common perception that business cannot be run ethically under current conditions and likewise businessmen perform unethical. The present business environment in

India is characterized by important socio-economical and political parameters.

- A functioning democracy with independent judiciary and a free press.
- A free market globalised economy with an active private sector.
- Ease of entry and exit for business.

The unethical business cases reported in news headlines has augmented over the last decade and the reputation of many corporate businesses are at stake. Globalization has led to increase in ethical dilemmas due to cross country trade transactions with differing laws, norms and standards. As a result several companies have to explicitly state their position on ethics through Code of Conduct. Other firms utilize ethics training to ensure that their employees are aware of the organization's expectations. In this respect the present paper explores a brief research on Perceptions of Employees enroot for corporate ethics, “Compliance Policies” and Ethical Issues.

### **Objectives of the Study**

- ❖ To Examine the Scope of Ethics in IT sector.
- ❖ To Evaluate and Measure Ethical Issues Encountered in the process.
- ❖ To Analyze the Employee Perceptions with regard to Implementation of Corporate Ethics in the Organizations

### **Scope of the Study**

Ethical problems and phenomena arise across all the functional areas of companies and at all levels within the company. This research study prompts to analyze and examine to what extent the company's commitment to ethics and compliance with the law and suggests code of business conduct to present and detect wrong doing.

### **Methodology**

The data retrieved through primary data by using structural questionnaires being executed to 100 employees of IT organizations. The data thus obtained is analyzed through SPSS, to make an attempt to understand the perceptions of employees towards corporate ethics. The data is also pipelined via various sources- websites, journals, magazines, and companies' sustainability report.



## Literature Review

In the last few years the corporate world has come under increasing pressure to perform in a socially responsible manner (Finegan 1994). Recent accountability failures across Globe gave rise to bankruptcies and restatements of financial statements that have debilitated countless shareholders, employees, pensioners and other stake holders. These failures have twisted a crisis of investor confidence and caused stock markets around the world to decline by Billions of Dollars (Walker, 2005). Today's business organizations are expected to exhibit ethical and moral management in their overall business strategy. Rising demands on business to replicate to social problems and issues are vital components of the current business environment. "Beyond the traditional obligation of supplying goods and services, firms now face increasing pressure on the social front" (Quazi, 2003, P.822). Babbie and Mouton (2002, P.520) argue that "the scientist has the right to search for the truth but not at the expense of the rights of others individuals in society". This was particularly pertinent when conduction interviews as part of the research. A good reputation firm is one which reflects the ethical values of an individual agent and which when it is pertinent, fosters good relationships (Geoghegan and Azmi, 2005). Ethics is a matter of ethos, participation in a community, a practice, a way of life (Hartman, 2005).

Corporate reputation reflects the organization's strategy, culture and values. A good corporate reputation signifies trust in a firm, it creates an emotional and intellectual bond with a number of stake holders and acts as the source of authority and credibility for all the company's dealings "Ethics of Strategy" (Verhezen, 2005). "NORM" is another view stated by Ronald Green in the Study of ethics. Popular in corporate ethics and provides significant insight for managing a business. **NORM stands for "Neutral Omni Partial Rule making"** and recognizes importance of morality, fairness and common sense where he believes that to be tough to bring out uniform rules applicable to corporate.

A recent "KPMG Fraud Survey" found that organizations are reporting more experiences of fraud than in prior years and that three out of four organizations have uncovered fraud. The root cause of fraud is a lack of ethics in the workplace. To create an ethical organization environment, a company must start with an effective code of conduct built on core values such as honesty, integrity and trust. The code should be enforced using principles of





responsibility and accountability. Most important, top management and the board of directors must ensure that the proper tone at the top is set and company decision-makers walk the talk of ethics.

As per the PWC report unethical conduct in Satyam fraud has shattered the dreams of different categories of investors, shocked the government and regulators alike and led to questioning the accounting practices of statutory auditors and corporate governance norms in India. Severe corporate governance problems emerge out of the above-mentioned corporate wreckage where there was no explicit or implicit code of ethics surrounding Satyam's corporate culture; bribery, corruption, and exchange of favors, within and outside the company

### **Need For Ethics**

- ✓ High Ethical Consciousness
- ✓ Adaptive Ethical problem solving and resolution making abilities at individual and group level
- ✓ Effectual Ethical Argumentation Skills

### **Corporate Ethics in it Sector-perceptions**

#### **Background**

Until 1990 corporate ethics was still in the nascent stage but in recent years it is believed to be corner stone of any business for building trust and confidence among its stake holders. The corporate scandals witnessed in Enron, WorldCom and Satyam fraud have altered the corporate IT world to implement more stringent reporting, detailed codes of conduct and rules & regulations. It's even more shocking that frauds committed by employees are more common by those persons external to organization (shaw, 2002) which results in ethical violations in conduct of business intensifying unpleasant consequences which is already exemplified by major scams of Harshad Mehta, Ramalinga Raju of Satyam have captured global interest of ethical issues which increases outflow on legal suits, tarnish its image and loses its good will. Today's IT companies consider profitability, competitiveness innovativeness and sustainability as vital component to success and ignore ethical issues where high ethical standards are recognized as an assets to ensure sustainability and unethical behavior is considered a liability. Several factors like policy to procurement and



reporting systems and strong association between entrepreneurial motivation and the desire for profits affect employee's perceptions. Study by a UK's Institute of business ethics (IBE) indicates that companies which committed to business ethics demonstrated an enhanced financial performance in the long run than those lacking such a commitment and also study conducted by De Paul University, Chicago also showed a distinct correlation between ethics and better financial performance of the company. Hence acting ethically has become vital for survival of the IT companies. In this paper an attempt is being made to analyze the perceptions of select employees in IT sector.

### **Ethical Issues**

Increased growth in business and continuous development of technology has facilitated the IT companies to be receptive to ethical obligations of their products and decisions. If not, leads to consequences of unethical behavior having devastating impact on the people that are depended on those IT firms. In this regard ethical issues are an area of concern to the corporate world which has to be dealt on regular basis. In the complex global business environment of the 21<sup>st</sup> century, companies of every size face a multitude of ethical issues. Businesses have the responsibility to develop codes of conduct and ethics that every member of the organization must abide by and put into action. A recent survey by Gallup indicates that 82 per cent of the public no longer trusts management for taking proper care of the shareholders; 90 per cent do not trust them for taking care of the employees" (singh, 61)

### **Ethical Issues Confronting IT Managers**

#### **Privacy**

- Does information's availability justify its use?
- How much effort and expense should managers incur in considering questions of data access and privacy?

#### **Ownership**

- What can employers expect from employees with regard to nondisclosure when going to work for another firm?
- What part of an information asset belongs to an organization and what is simply part of an employee's general knowledge?





## **Control**

- Do employees know the degree to which behavior is monitored?
- Does data gathered violate employee privacy rights?

## **Accuracy**

- Is accuracy an explicit part of someone's responsibility?
- Have the implications of potential error been anticipated

## **Security**

- Have systems been reviewed for the most likely sources of security breach?
- What's the liability exposure of managers and the organization?

## **Corporate Compliance Policy**

For conducting the business according to applicable law and company rules the Corporate Compliance Policy forms the basis. This policy lists some of the main points that are of particular practical relevance.

- ✓ Fair competition
- ✓ Integrity in business dealings
- ✓ Principle of sustainability
- ✓ Upholding foreign trade laws
- ✓ Preserving equal opportunity in securities trading
- ✓ Proper record-keeping and transparent financial reporting
- ✓ Fair and respectful working conditions
- ✓ Protecting our intellectual property rights and respecting those of others
- ✓ Keeping corporate and personal interests separate
- ✓ Cooperation with the authorities

## **Survey Analyses**

Codes of ethics are being increasingly adopted in organizations worldwide, yet their effects on employee perceptions and behaviour have not been thoroughly addressed. In this perspective, research is embarked to discover the perceptions of employees en route for corporate ethics and analysis done through self- administered questionnaires of IT companies. The structured questionnaire was administrated to *sixty employees* working in IT companies of Hyderabad in the state of Telangana as a part of pilot study. The data thus collected is analyzed with the help of SPSS and presented in the following tables.



## I. Issues that needs to be focused in view of company's standards

The questionnaire made an attempt to know the perceptions of the employees with regards to five major issues that needs to be focused to assess the standards of the corporate sector; Executive pay, discrimination in treatment of people, environmental responsibility, harassment and bullying of employees in the work place and ones freedom of speech regarding wrong doings in the company.

- ***Gender Vs. perceptions of the respondents with respect to executive pay:*** Table 1 below makes an attempt in understanding the perceptions of respondents with regards to executive pay in assessing the standards of the company. It is evident from the table that 48.3% of the total respondent's i.e.38.3% of male and 10% of female respondents believe that one of the major issues in viewing the company standards is executive pay of the company.

**Table 1: Gender vs. Executive Pay**

Gender/Executive Pay	Yes	No	Total
Male	23	19	42
	38.3%	31.7%	70.0%
Female	6	12	18
	10.0%	20.0%	30.0%
Total	29	31	60
	48.3%	51.7%	100.0%
Chi-Square Value: .107			

Source: Primary Data

- ***Gender vs. Perceptions of the respondents with respect to discrimination in treatment of people:*** Table 2 below elicits that the perceptions of respondents with regards to discrimination in treatment of people in assessing the standards of the company. It is evident from the table that 28.3% of male and 20% of female respondents are of the opinion that the major issue being the discrimination of treatment of employees in a company reflects on the company standards.



**Table 2: Gender vs. Treatment of People**

Gender/Discriminating People	Yes	No	Total
Male	17	25	42
	28.3%	41.7%	70.0%
Female	12	6	18
	20.0%	10.0%	30.0%
Total	29	31	60
	48.3%	51.7%	100.0%
Chi-Square Value: .057			

Source: Primary Data

- **Gender vs. Perceptions of the respondents with regards to corporate sectors responsibility towards environment issues:** Table 3 below explains that the perceptions of respondents with regards to the commitment of corporate sectors responsibility towards environment issues. The data clearly explains that only 36.7% of the total respondents, where an equal number of male and female respondents felt that the company should be proactive in safeguarding the environment. And more than majority i.e. 63.3% are of the opinion that the concern of the company towards environ will not affect the standards of the company.

**Table 3: Gender vs. Environmental Responsibility**

Gender/Environmental responsibility	Yes	No	Total
Male	11	31	42
	18.3%	51.7%	70.0%
Female	11	7	18
	18.3%	11.7%	30.0%
Total	22	38	60
	36.7%	63.3%	100.0%
Chi-Square Value: .012			

Source: Primary Data

- **Gender vs. Perceptions of the respondents with respect to harassment and bullying of the employees at the work places:** Table 4 explains that the perceptions of respondents with regards to harassment and bullying of the employees at the work places has a say in rating the company's standards. The data collected we find 46.7% almost half of the total respondents i.e.33.3% of male and 13.3% of female respondents opine that the company standards will depend on the treatment of employees

**Table 4: Gender vs. Harassment of employees**

Gender/Harassment	Yes	No	Total
Male	20	22	42
	33.3%	36.7%	70.0%
Female	8	10	18
	13.3%	16.7%	30.0%
Total	28	32	60
	46.7%	53.3%	100.0%
Chi-Square Value: .523			

Source: Primary Data

- *Gender vs. Perceptions of the respondents with respect to employee's freedom of speech regarding wrong doings in the company:* More than Three-fourths of the total respondents expressed that employee's freedom of speech regarding wrong happenings in the company will have an impact in understanding the standard of the company being evident from table 5 below.

**Table 5: Gender vs. Freedom of Speech**

Gender/ Freedom of Speech	Yes	No	Total
Male	33	9	42
	55.0%	15.0%	70.0%
Female	13	5	18
	21.7%	8.3%	30.0%
Total	46	14	60
	76.7%	23.3%	100.0%
Chi-Square Value: .412			

Source: Primary Data

## I. Business ethics and its relation in doing business

Secondly we tried to understand whether employees feel ethics helps in making things easy while doing business. Table 6 below clearly indicates that 45% of the total respondents are of the opinion that business ethics makes it difficult in carrying on day to day transactions in business. But at the same time it is interesting to find that more than half i.e.55% of the employees expressed that business ethics will actually help and support business.



**Table 6: Gender vs. Business Ethics Complementing Business**

Gender/ Business ethics	More difficult	Less difficult	Total
Male	19	23	42
	31.7%	38.3%	70.0%
Female	8	10	18
	13.3%	16.7%	30.0%
Total	27	33	60
	45.0%	55.0%	100.0%
Chi-Square Value :.591			

Source: Primary Data

- I. Thirdly the perceptions of the employees were considered in understanding whether business ethics being different in different societies and countries, need for government intervention in implementing the same and should it be intervened by law.
- **Gender vs. Business ethics being different in different societies and countries:**  
Table 7 clearly indicates that more than three-fourths of the total respondents opine that is being different in different societies and countries. Almost 43.3% strongly agree and 41.7% agree to it.

**Table 7: Gender vs. Business Ethics**

Gender/ Business Ethics being different in different places	Strongly Agree	Agree	Neutral	Disagree	Total
Male	13	22	0	7	42
	21.7%	36.7%	.0%	11.7%	70.0%
Female	13	3	1	1	18
	21.7%	5.0%	1.7%	1.7%	30.0%
Total	26	25	1	8	60
	43.3%	41.7%	1.7%	13.3%	100.0%
Chi-Square Value :.005					

Source: Primary Data

- **Gender vs. Need of government intervention in implementation of Business ethics:**  
Though 26.7% of the respondents were neutral, yet we find that 10% & 23.3% strongly agree and agree for the need of government intervention in implementing corporate ethics in businesses.

**Table 8: Gender vs. Need of Government Intervention**

Gender/ Need for Govt. intervention in Implementation of Business Ethics	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Male	5	11	8	12	6	42
	8.3%	18.3%	13.3%	20.0%	10.0%	70.0%
Female	1	3	8	3	3	18
	1.7%	5.0%	13.3%	5.0%	5.0%	30.0%
Total	6	14	16	15	9	60
	10.0%	23.3%	26.7%	25.0%	15.0%	100.0%
Chi-Square Value :.320						

Source: Primary Data

- **Gender vs. Need for business ethics being prescribed by law:** It is evident from table 9 that 25% of the total respondents strongly agree for corporate ethics being prescribed by law and another 20% of them agree with the statement and interestingly 25% of the respondents disagree and 5% strongly disagree with the same.

**Table 9: Gender vs. Business Ethics Prescribed By Law**

Gender/ Business Ethics Prescribed by law	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
Male	8	8	10	14	2	42
	13.3%	13.3%	16.7%	23.3%	3.3%	70.0%
Female	7	4	5	1	1	18
	11.7%	6.7%	8.3%	1.7%	1.7%	30.0%
Total	15	12	15	15	3	60
	25.0%	20.0%	25.0%	25.0%	5.0%	100.0%
Chi-Square Value : .134						

Source: Primary Data

I. Lastly we tried to know their satisfaction by asking them to rate the standards of corporate ethics adopted in their own companies

- **Gender vs. Ethical Standards in businesses:** Efforts were made to understand the employees rating of ethical standards in their companies and it is unfortunate to know that 43.3% of the total respondents feel the corporate ethical standards are average and an equal number of them rated it to be good.



**Table 10: Gender vs. Ethical Standards in Businesses**

Gender/ Satisfaction Level of Business Ethics	Unsatisfactory	Average	Good	Excellent	Total
Male	1	19	15	7	42
	1.7%	31.7%	25.0%	11.7%	70.0 %
Female	0	7	11	0	18
	.0%	11.7%	18.3%	.0%	30.0 %
Total	1	26	26	7	60
	1.7%	43.3%	43.3%	11.7%	100.0 %
Chi-Square Value : .055					

Source: Primary Data

From the above study along with its limitations it is evident that everything is not good as it seems to be. The presence of corporate codes of ethics was associated with less perceived wrongdoing in organizations, but not with an increased propensity to report observed unethical behaviour. It is felt that the following steps needs to be taken to strengthen corporate ethics especially in IT sectors.

### Implementation

- The company must provide employees with access to all the necessary information resources and counsel to prevent violations of the law or company regulations.
- Every supervisor must organize his or her area of responsibility so as to ensure adherence to company rules and applicable law and thus to the Corporate Compliance Policy.
- The holding company, subgroups, service companies and country organizations appoint Compliance Officers, whose responsibilities include providing advice and training on compliance issues and investigating any alleged compliance violations.
- All employees are required to immediately report any violations of the Corporate Compliance Policy.
- Corporate Auditing will review the effectiveness of the Corporate Compliance Policy at regular intervals



## Conclusion

Though Information and Communication technologies acquire prominent place in corporate world and ethical problems still persist to increase which needs to be confronted. The present research emphasizing on corporate ethics can be well managed by adopting unique competitive advantage as anything related to people. Ethics basically means three things: Avoid breach in the criminal law in one's work-related activity, Avoid action that may result in civil law suits against the company and Avoid dealings that are bad for the company image. Therefore Ethics in the work place to be enhanced where understanding ethical attitudes of people in work place, make it easier to make good decisions. Based on the analysis executed, most of the perceptions of select employees in the IT companies should recognize the importance of integrity, transparency and open communications. Even though ethical dilemmas occur in business frequently which is unavoidable, the executives, managers and employees must prepare themselves to make the best possible decisions by focusing on ethics education, awareness, equality, Corporate Governance, Knowledge of the law and using scenario analysis to be proactive rather than reactive. Therefore corporates must incorporate inclusive discussions about transparency, openness accountability and fairness which would benefit the stake holder groups and employees which otherwise can have a devastating impact on the corporate culture of the firm where the results of unethical behavior can destroy a company,

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