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Business Ethics And Corporate Governance Transparency In Business

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ABSTRACT

Corporate governance may be defined "as a set of systems processes and principles which ensure that a company is governed in the best interest of all stakeholders". It is the system by which companies are directed and controlled. It is about promoting corporate transparency, fairness and accountability. Ethical is a conception of right and wrong behavior defining for us when our actions are moral and immoral. Business ethics is the application of general ethical ideas to business behavior. Ethical business behavior is expected by public, prevents harm to society improves profitability, fasters business relations and employees productivity. Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers etc. It is protect them from exploitation through unfair trade practices. With this aspect we try to focus mainly on the corporate governance guidelines, importance and need for business ethics, corporate governance ethics , importance of ethics make corporate governance more meaningful .

Keywords: Business Ethics and corporate governance

INTRODUCTION

Most Indian companies now have recognized the importance of integrity, transparency and open communications. They believe that the goodwill resulting from adopting and successfully implementing a code of business ethics will, in the long run, translate into economic gains. Today investors want to ensure that the companies they invest in are not only managed properly, but also have proper corporate governance. They regard corporate governance is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stake holders.

Objectives:

- To study the concept of business ethics and corporate governance
- To know about relation of business ethics and corporate governance
- To learn the importance of business ethics and corporate governance in the context of business

Research methodology : This paper is based on secondary data such as internet, general, website , article, books etc.

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CORPORATE GOVERNANCE

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participations in a corporation, such as the board, managers share holder and spells out of the rules and procedures for making decisions on corporate affairs. By doing this it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance.

According to Cadbury committee (1) (UK) 1992 "Corporate governance is the system by which companies are directed and controlled. It encompassed the entire mechanics of the functioning of a company and attempts to but in place a system of checks and balances between the share holders, directors, employees, auditor and the management"

Corporate governance has always been an integral part in the running of joint stock companies ever since their birth as an organization. However the term "Corporate Governance " has acquired importance in the last two decade or so particularity . Since the publication on the Cadbury report (1992) in the U.K. Hence various bodies all around the world have gone through the restriction of clear explanation of the principles and formulating a code for good corporate governance of the publicly owned companies. The following table indicates the timeline for the development of codes around the world. Many codes have since been updated

Table – Timeline for development of corporate governance codes around the world

YEARs	Countries
1992	UK (Cadbury report leading to combined code 1998 , renamed UK corporate governance code in 2010.
1994	Canada, South Africa (King report)
1995	Australia, France
1997	Japan, U.S.
1998	Germany, India , Thailand
1999	Brazil, Hongkong, South Korea, OECD, ICGN
2001	China , Singapore(Singapore code)
2002	U.S. (Sarbanes Oxley Act)

Various Committees on corporate governance in India

- Confederation of Indian Industries (C11) set up a committee under the supervision of Mr. Rahul Bajaj which looked various aspects of corporate governance and suggested dilution of Government stake in companies.
- SEBI had set up a commission which looked the issues relating to protection of investor's interest transparency under the supervision of kumar manglam Birla.
- The Department of Corporate affairs constituted Naresh Chandra committee which targeted the role of Auditors like relationship between the company and the statutory auditor rotation of Audit firm's true and fair financial state.

SEBI appointed Narayan Murti committee which focused on the role of audit committee, quality of financial disclosure etc. under clause 49 of listing requirement .

Corporate governance is needed to create a corporate culture of consciousness, transparency and openness . It refers to a combination of laws, rules, regulations procedures and voluntary practices to enable companies to maximize shareholders long term values. It should lead to increasing customers satisfaction shareholder value and wealth.

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FOUR PILLER OF CORPORATE GOVERNANCE

1. Transparency
2. Accountability
3. Fairness
4. Independence

1. Transparency =

The company shall provide timely accurate disclosure of information about all material facts relating to its activities, including its financial situation, social and environmental indicators, performance, ownership structure and governance of the company, as well as free access to such information for all stakeholders.

2.ACCOUNTABILITY --

The code provides for accountability of the company's board of directors to all shareholders in accordance with applicable law and provides guidance to the board of directors in making decisions and monitoring the activities of the executive bodies.

3 FAIRNESS --

The company undertakes to protect shareholders rights and ensure equal treatment of shareholders. The Board of Directors shall give all shareholders the opportunity to obtain effective redress for violations of their rights .

4. RESPONSIBNILITY—

The company recognizes the rights of all interested parties permitted by applicable law, and seek to cooperate with such persons or companies for their own development and financial stability .

BUSINESS ETHICS –

Ethics is concerned with the basic concept and underlying principles of right human conduct, and it includes study of the moral values and standards of individuals and society . The study of ethics involves examining such things as the inherent equality and the natural rights of all human beings .Business Ethics is a subject that deals with moral guidenlines and good corporate governance. Companies are supposed to set right standards and adhere to certain common standards and adhere to certain common business practices.

Business ethics reflects the philosophy of business. The most important aim of this philosophy is to determine the fundamental purposes of a company or firm. Generally, every business has the objective of maximizing the profit of its shareholders, then sacrificing profits to other concerns will be violation of its trust worthy relationship and hence will be treated as unethical . Ethics differentiate between good or bad or immoral and moral and right and wrong. It is the set of broader principles which is not only acceptable or compatible by law but also expected by all in the society .

IMPORTANCE AND NEED OF BUSINESS ETHICS—

Business ethics are must to safeguard these rights of the consumers, protecting employees and shareholders Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers etc. It protect them from exploitation through unfair trade practices.

1. GOODWILL OF THE BUSINESS = People like to build long term relationships with organisations that perform their tasks on the principles of ethics. Moreover strong public image leads to continual loyaltyand attracts new investors.
2. Prevention from legal action = By implementing ethical practices organization are automatically prevented from illegal and objectionable activities as business ethics instruct to avoid all that is wrong or evil. Such organisations have no fear of legal action and social boycott.
3. Business ethics have substantially improved society= Establishment of anti trust laws, unions and other regulatory bodies ahs contributed to the development of the society
4. Strong teamwork and high productivity = Constant check and dialogue will ensure that the employee matches to the value of organization which will in turn results in better co-operation and increased productivity.
5. Build trust with key shareholders= implementation of ethics helps organization to gain trust of their shareholders. Shareholders fee confidence that company is well monitored.
6. Ethic practices support employee growth== Ethics in the workplace helps employees face reality both good and bad in the organization. Employees feel full confidence an therefore they can de3al with any sort of situation .
7. Ethical practices create a strong public image == If the business follow all ethical rules then they will be fully accepted and not criticized by the society. The society will always support those organization who follow this necessary code of conduct.
8. HIGH PROFITS= Business ethics create high returns or profit for the company. Reputation of the company and its share prices also increase if the company acts upon corporate social responsibility (CSR)
9. Healthy competition - -The business must use business ethics while dealing will the competitors They must not do cut throat competition .Similarly they must give equal opportunities to small scale business. They must avoid monopoly.
10. SMOOTH FUNCTIONING== If the organization follows all the business ethics, then the employees shareholders, consumers , deals and suppliers will all be happy. So they will give full cooperation to the organization .This will result in smooth functioning of the organization.
11. Improve customers confidence== Business ethics are needed to improve the customers confidence about the quality , quantity, price etc. of the products. The customers have more trust and confidence in the business who follow ethical rules.

WHY SHOULD BUSINESS ACT ETHICALLY?

Failure in corporate governanc3e is areal threat to future of every corporation. Corporate governance as a business ethics issue is a hundred times more powerful than the internet or globalization and can destroy your business in a week. To make matters worse, standards, of corporate governance are changing rapidly in response to random events which capture public imagination . In business ethics, what was good is becoming bad and what was considered bad is now good. Standards are looking old fashioned or immoral while other practices that raised questions are becoming totally acceptable.

There are number of reasons given below as to why business should actethical

1. Protect its own interest

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2. Protect the interests of business community
3. Meet stakeholder expectations.
4. Build trust with keystakeholder group
5. Prevent harm to the general public.
6. Keep its commitment to society to act ethically
7. Protect their own reputations
8. Protect their own employers
9. Create and environment in which workers can act in way consistent with their values.
10. Protect themselves from abuse from unethical employees and competitors.

CORPORATE GOVERNANCE THICS :

1. Provide information that is accurate , completer, objective, relevant , timely and understandable to ensure full, fair, accurate timely , understandable disclosure in reports and documents that companies file with or submit to, the regulators.
2. Comply with applicable laws, rules and regulations of federal state and local governments and other appropriate public and private regulatory agencies in all material respects.
3. Ethics is related to responsibilities that are carried in the all level of companies till from board of directors to clerical staff of lowest level of companies. Everyone should take care about their own responsibility.
4. Act in good faith, responsibility with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be subordinated.
5. Achieve responsible use of and control over all assets and resources employed
6. Record or participate in the recording of entries in the company's books and records that are accurate to the best of your knowledge.
7. Comply with the company's disclosure controls and procedures and internal control over financial reporting
8. Encouraging all senior executives to take leadership in upholding to integrate and implementing ethical values within their own units . The should act as a role model .
9. Removing and resolving conflict of interest in business .Relationship remain important.
10. Never compromise ethics for any things including achieving revenue or other financial targets.
11. Proactively promote honest and ethical behavior among peers in your work environment
12. Enhancing awareness regarding business values among stakeholders
13. Build strong and healthy relationship between employees, management and directors body
14. Act with honesty and integrity avoiding actual and apparent conflict of interest in personal and professional relationship.

HOW ETHICS CAN MAKE CORPORATE GOVERNANCE MORE MEANINGFULL:

1. Corporate governance is meant to run companies ethically in a manner such that all stakeholders , creditors, distributors, customers, employees, the society at large and governments are dealt in a fair manner.
2. Good corporate governance should look at all stakeholders and not just shareholders alone

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3. Corporate governance is not something which regulators have to impose on a management, it should come from within. There is no point in making statutory provisions for enforcing ethical conduct.
4. The securities and exchange board of India (SEBI) has jurisdiction only in the cases of limited and listed companies and are concerned only with their protection.
5. There is a lot of provisions in the company act, for example:
(1) Disclosing the interest of directors in contracts in which they are interested.
(2) Abstaining from exercising voting rights in matters they are interested
(3) Statutory protection to auditors who are supposed to go into the details of the financial management of the company and report the same to the shareholders of the company .

Conclusion:

Ethical culture can be regarded as the insurance for successful business. So for good governance ethics is essential. Therefore, it is every company's moral duty to implement the ethical codes in their business. But not only essential for their business but also in their day to day life. Corporate governance is relatively new in India. Security exchange Board of India is trying to implement corporate governance norms through governance norms . Today more an more listed companies have began to realize that need of transparency and good governance to attract foreign as well as domestic capital. Hence for good governance ethical culture is an urgent need for companies of 21st century. Thus we can say that ethics have a strong impact on corporate governance and the implementation of business ethics can ensure good governance.

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