

# **Business Scenario in India and Ethical Attitudes of Business Executives**

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# India Poised for Incredible Growth

- GDP grew by an impressive 9.2% in 2006
- FDI: 98.4% growth in the first half of 2006-07; last year increased by 27.4%.
- Phenomenal increase in the Foreign Exchange Reserves - \$182 bl
- An exceptional growth in exports, expecting to touch 50 billion dollars in 2008-09
- An unprecedented number of acquisitions by Indian companies
- India is emerging rapidly as a knowledge economy; IT Sector's revenue crossed Rs one trillion
- Advancing from BPO (Business Process Outsourcing) hub to KPO (Knowledge Process Outsourcing) hub of the world

# Presentation - Outline

## PART I

- Indian scenario – perceived as corrupt and factors which lead to this perception.

## PART II

- Ethical attitudes of business executives in India
  - Factors from external and internal environment which influence their ethical attitudes.
  - Cultural values which affect their ethical attitudes  
[Comparison of cultures of India and the U.S.A. and relationship between culture and certain questionable business practices]

# Issues/questions to be considered

- Personal Integrity – how to instill this value?
- Has globalization process led to homogenisation of cultures?
- Cultural relativism – does the sensitivity to cultural differences imply that there is no absolute right or wrong and each culture should be respected entirely in terms of its own set of unique ethical norms and principles?

# India - Highly Corrupt Country

- Ranks 70 in the corruption index 2006
- Systemic – in all public services; police perceived to be the worst followed by judiciary
- Worst performer among 30 countries in Bribe Payer Index

# Factors leading to Corruption

- Lack of transparency and accountability in the system
- Lack of fairness and equality
- Lack of honesty in officials in the Government
- *Permit-License-Raj* in spite of liberalization process
- Acceptance of bribe as a way of life, custom and culture due to apathy and an attitude of fatalism
- Democracy based on corruption
- The judiciary is corrupt and ineffective
- Low literacy rate

## General Ethical Attitudes of Business Executives in India and the U.S.

<i>No</i>	<i>Statements</i> <i>(% Strongly agree and agree)</i>	<i>India</i>  <i>%</i>	<i>U.S.</i>  <i>%</i>
<b>1</b>	<b>Sound Ethics is good business in the long run</b>	<b>96</b>	<b>99</b>
<b>2</b>	<b>It is difficult to make ethical decisions in the competitive world</b>	<b>61</b>	<b>18</b>
<b>3</b>	<b>Being ethical and being profitable do not go together</b>	<b>17</b>	<b>2</b>
<b>4</b>	<b>It is easier to know what is right than it is to do it</b>	<b>73</b>	<b>46</b>
<b>5</b>	<b>One acts ethically as long as one is acts legally</b>	<b>44</b>	<b>15</b>
<b>6</b>	<b>Two ethical standards: one for personal life and one for professional life</b>	<b>57</b>	<b>36</b>
<b>7</b>	<b>Business manager's concern is to make profit. Ethics is secondary</b>	<b>41</b>	<b>30</b>

***Elements influencing unethical decisions:  
Mean score (SD) by country  
(1=very little... 5= very much)***

Elements	India	U.S.
<b>Factor A. External Environment</b>		
1. Functioning of legal/justice system	3.59 (1.18)	3.10 (1.19)
2. Political Climate of the country	3.87 (1.25)	3.22 (1.21)
3. Lack of company policy and codes of conduct	3.53 (1.15)	2.76 (1.12)
4. Society's moral climate	3.55 (1.18)	3.36 (1.09)
5. Industry ethical climate	3.98 (1.01)	3.58 (1.07)
<b>Factor B. Personal Integrity</b>		
1. Lack of personal integrity	4.17 (0.92)	4.36 (0.93)
2. Greed and desire for personal gain	4.19 (0.95)	4.15 (1.02)
<b>Factor C. Behavior of peers and superiors</b>		
1. Behavior of one's peers in the company	3.60 (0.91)	3.59 (1.07)
2. Behavior of one' superiors in the company	3.80 (1.18)	3.99 (0.95)

# Culture

- Culture, viz., the shared ideas and meanings about what life is and what life should be, sets “standards for perceiving, believing, evaluating and acting”. These ideas provide standards for what is right and what is wrong (norms); what is good and what is bad (values); what one can be and what one could be; what one can do and how to go about doing it. They set definitions of what man and woman are and should be.

# Hofstede's Typology

- Individualism – Collectivism (nepotism, software piracy, sharing of insider information, gift-giving)
- Power distance (obeying superior's order perceived to be unethical)
- Uncertainty avoidance (export of goods harmful to health)
- Masculinity- Femininity (marketing products injurious to health, injury to environment, dishonest in advertising, firing of older employees)

# Individualism/Collectivism

- It describes the relationship between the individual and the collectivity that prevails in a given society
- Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family
- Collectivism, pertains to societies in which people from birth onwards are integrated into strong, cohesive groups, which throughout people's lifetimes continue to protect them in exchange for unquestionable loyalty”

# Individualism/Collectivism

- In collectivist societies the interest of the group prevails over the interests of the individual; harmony with the social environment is a key virtue. The personal relationship takes precedence over the task. On the other hand, in individualist societies the interests of individuals prevail over the interest of the group; the focus is on individual rights and achievements; the task takes precedence over the relationship

# Power Distance

- Power Distance explains the way a society handles inequality among its members.
- Large power distance societies are marked by considerable dependence of subordinates on bosses, and large emotional distance between them. It is highly unlikely that subordinates will contradict their bosses directly.
- In small power distance societies, there is a greater interdependence between boss and subordinates and there is preference for consultation
- Large power distance countries are likely to be more collectivist and small power distance countries to be more individualist

# Uncertainty Avoidance

- Uncertainty avoidance is defined as “the extent to which the members of a culture feel threatened by uncertain and unknown situations” (ibid.: 113). Societies in general try to alleviate this uncertainty by resorting to the domains of technology, rules (adopting stricter codes of conduct) and rituals.
- Cultures with strong uncertainty avoidance consider uncertainty as a continuous threat which must be fought while cultures with weak uncertainty avoidance consider it a normal feature of life and accept each day as it comes.

# Uncertainty Avoidance

- Many and precise laws and rules, shunning unambiguous situations, emotional need to be busy, an inner urge to work hard are some of the characteristics of strong uncertainty avoidance cultures. Few and general laws and rules, feeling comfortable in ambiguous situations, tolerance, a tendency toward relativism in philosophy and science are some of the characteristics of weak uncertainty avoidance cultures.

# Masculinity

- Masculinity stands for a society in which social gender roles are sharply differentiated. That is, men are supposed to be assertive, tough, focused on material success, etc., while women are supposed to be tender, concerned with quality of life, etc. Femininity, which is the opposite of masculinity, stands for societies in which social gender roles are less sharply differentiated.

# Masculinity

- Dominant values in masculine cultures are material success and progress. Money and things are given more important. Managers are expected to be assertive. Feminine cultures emphasize caring for others and preservation. People and personal relationships are given more importance. Managers tend to strive for consensus

# *Long-term vs. Short-term Orientation (Confucian Dynamism)*

- Long-term orientation characterizes cultures which place more importance on values associated with Confucian teachings that are future oriented (persistence, status-ordered relationships, thrift, and a sense of shame). It focuses on stable and harmonious relationship.
- Short-term orientation characterizes cultures which place more importance on values associated with Confucian teachings that are past and present oriented (personal steadiness and stability, protecting your 'face', respect for tradition, and reciprocation of greeting, favors and gifts).

Country	PDI	IDV	MAS	UAI	LTO
Japan	54	46	95	92	80
South Korea	60	18	39	85	75
Brazil	69	38	49	76	65
India	77	48	56	40	61
Thailand	64	20	34	64	56
Singapore	74	20	48	8	48
Netherlands	38	80	14	53	44
Sweden	31	71	5	29	33
Australia	36	90	61	51	31
Germany	35	67	66	65	31
New Zealand	22	79	58	49	30
United States	40	91	62	46	29
United Kingdom	35	89	66	35	25
Ethiopia	64	27	41	52	25
Kenya	64	27	41	52	25
Tanzania	64	27	41	52	25
Zambia	64	27	41	52	25
Norway	31	69	8	50	20
China	80	20	66	40	118

# Questionable practices

- Gift-giving
- Marketing unhealthy products
- Padding expense accounts
- Export of unsafe products
- Software piracy
- Injury to the environment
- Bribery
- Nepotism
- Compliance with the superior's order
- Dishonesty in advertising
- Sharing of insider information
- Firing of older supervisors

# Questionable practices

## 1. General Practices

- Gift-giving

## 2. Aggressive Practices

- Marketing unhealthy products
- Firing of older supervisors
- Export of unsafe products
- Dishonesty in advertising
- Injury to the environment

## 3. Relational Practices

- Bribery
- Nepotism
- Software piracy
- Compliance with the superior's order
- Sharing of insider information
- Padding expense accounts

# Results of the Study

- Culture has a significant impact on the ethical attitudes of managers towards these questionable practices
- Americans (highly individualistic country) viewed software piracy, nepotism and sharing of insider information as more unethical than Indians.
- Americans (a small power distance country) consider complying with the superior's order as more unethical than Indians
- Respondents from India, a less masculine country than the U.S., consider the practice of injury to the environment to be more unethical.
- No differences in their attitudes toward bribery and gift-giving.

# Homogenisation of Cultures

- Globalization has an effect on culture, but surely not to the level of unification of cultures, wiping away the diversity among national cultures
- Different impact on different layers
  - Popular culture - to a great extent
  - Practices – to a certain extent
  - Values – very little
- Can we have uniform global ethic?

# Cultural Relativism vs. Absolutism

- Does cultural sensitivity to cultural differences imply that there is no absolute right or wrong and each culture should be respected entirely in terms of its own set of unique norms and principles. How can these differences in ethical attitudes across countries be resolved?

Thank You