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A Study on Corporate Sector Opportunities, Challenges and Ethical Management

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ABSTRACT

The service sector is an important part of the economy and India has seen a huge growth in most of the businesses in the service sector in the recent past. The service sector businesses must keep ahead of their counterparts by understanding the knowledge economy to keep their customers served at fastest pace and low costs. The services sector, with around 55 percent contribution to the Gross Domestic Product (GDP) in 2017-18, has made rapid march-up in the past 15 years and looks forward to emerge as the largest and one of the fastest-growing sectors of the Indian economy. The corporate sector is not only the governing sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment.

Keyword: Gross Domestic Product, Corporate sector, quality of life

1. INTRODUCTION

The diversified Indian economy is broadly categorized into three main economic sectors viz. Primary sector comprising of agriculture, fishing and mining. Secondary sector consisting of manufacturing and making of goods. Tertiary sector encompassing the service sector on the whole which in turn includes banks, hotels, education, real estates, social activities, retail, health groups, recreation, computer services, media, communication, water, gas supplies, electricity etc. Corporate sector is an important aspect of the service sector.The service sector is an important part of the economy and India has seen a huge growth in most of the businesses in the service sector in the recent past. The service sector businesses must keep ahead of their counterparts by understanding the knowledge economy to keep their customers served at fastest pace and low costs. The services sector, with around 55 percent contribution to the Gross Domestic Product (GDP) in 2017-18, has made rapid march-up in the past 15 years and looks forward to emerge as the largest and one of the fastest-growing sectors of the Indian economy. The corporate sector is not only the governing sector in India's GDP, but has also attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment.

EMERGENCE OF THE CORPORATE SECTOR

An organized sector is one which acts according to the government rules with many employers and has a defined pattern of wages. It has high profits and irreparable losses. All developed countries follow this pattern. A Corporate Sector is a section of society consisting of Companies/Industries/Business houses. They are the industrial development side of the society. They contribute to the National Income Generation, Infrastructural Growth and Development of the Economy. They represent the producer side of Economy and customers represent the Consumer Side of Economy.

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Earlier, the Indian market was ruled by the government enterprises but the scene in Indian market changed as soon as the markets were opened for investments. The Indian private sector companies have prioritized customer's needs and speedy service. This further has geared up the competition amongst same industry players and even among the government organizations. The importance of private sector in Indian economy can be witnessed from the tremendous growth of Indian BPOs, Indian software companies, Indian private banks and financial service companies. The most dominant manufacturing industry of India is flooded with private Indian companies. Manufacturing companies covering segments like automobile, chemicals, textiles, agricultural foods, computer hardware, telecommunication equipments, and petrochemical products are the main growth drivers of the sector. The Indian BPO sector is more concentrated with rendering services to overseas clients.

IMPORTANCE AND NEED OF CORPORATE SECTOR IN INDIA

The importance of private sector in Indian economy has been very admirable in generating employment and thus eliminating poverty in the past 15 years. Further, it has:

- Increased the quality of life
- Increased the access to essential items
- Increased the production opportunities
- Lowered the prices of essential items
- Increased the value of human capital
- Improved the social life of the middle class groups
- Decreased the percentage of people living below the poverty line in India
- Changed the perception of India from a poor agriculture-based country to a rising manufacturing-based country
- Resulted in increased research and developmental activity and spending
- Acquired better higher education facilities especially in technical fields
- Ensured fair competition amongst market players
- Dissolved the concept of monopoly and thus neutralized market manipulation practices

The corporate sectors are like the engine for the economic growth of a country. With the liberalization of trade and commerce, the corporate sector is getting hold of a very significant position to lead the economy of the country in a forward way.

EMERGING OPPORTUNITIES IN THE CORPORATE SECTOR

India's journey in reforming the economic strides has helped it to emerge as one of the world's fastest growing economies. Its large and growing population is its best asset and can improve the current GDP by 4 times if a billion people could be transformed into a productive workforce. Challenges come along with every opportunity. The service sector can survive and grow only if there are knowledgeable workers and this can help to reduce the lack of employability in India. A productive workforce can be created if the labour force is adequately trained and educated and if jobs are sufficiently created; more opportunities will be available to grow the corporate sector better.

India has many fast emerging sectors that present ample opportunities. According to a survey in 2015, the food processing industries, healthcare sector, tourism, retail, telecom and infrastructure etc. are promisingly looking forward to arrive as the largest employers in India. Presently, only a small part of India is organized. But domestic and international players expanding through India can magnify the growth of the corporate sector by a significant factor.

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CHALLENGES IN THE CORPORATE SECTOR

A combination of domestic and external factors has initiated many challenges and threats to the emerging and existing opportunities in the corporate sector and these pose to hinder the growth of the Indian economy. Corruption, Bribery & Corporate Frauds are the major risks for corporate India and this is reflected by the continuing concerns of businesses affected by scams and other unethical practices. Before 2 decades, the inflation was less and fiscal policies were appreciated for contributing to the economic growth of India but in the recent past sensex have tumbled, rupee has appreciated, export growth has declined, economic growth is facing tension, and inflation has also shot up.

India is facing a cyclical downturn of the global business cycle in the corporate sector and factors like price control strategies, ban on exports, lowering of import duties, tax concessions etc. have to be again remembered of while designing latest policies.

Situations like competitive export environment, cheap imports, low inflation and low interest rates, fixed exchange rate etc. cannot be expected always. The skilled manpower is not able to enjoy ever higher wages despite the high profits earned by their employers .The farmers cannot hope to get better returns on what they produce when the consumers are not ready to pay a higher price.

Newer markets, new products and services are available and are providing high margins but the more sustainable basis for growth must come from productivity improvements, process upgradation, embracing latest technologies, lean inventories, and investments in R&D. In the fast changing global economic landscape, corporate firms and the knowledge groups must be able to adapt naturally to the changing market preferences and expectations.

UNETHICAL BUSINESS PRACTICES

To understand the concept of ethics, one should first understand what unethical behaviour is and how it affects business procedures. Unethical behaviour in business varies from simple victimless crimes to huge ones that can hurt large numbers of people. A strict ethics policy is the cornerstone for any business that wants to maintain a good reputation. Unethical behaviour includes the following:

1. Theftat workplace like taking home office supplies, using business computers for personal tasks, padding expense accounts, having another employee punch a time card, or not punching out for lunch hours etc. Theft also affects the employee morale and is demoralizing to those who choose to behave ethically and has an impact on the bottom-line of the organization.

2. Bending the Rules in a business situation is often the result of an emotional motivation. If an employee is asked to perform an unethical task by his supervisor or manager, he may do it because his commitment to authority is greater than his need to abide by the company rules.

3. Wages and Working Conditions include practices that are not in compliance with fair labour standards and central working guidelines. Other unethical practices include not paying workers a fair wage for their work, employing children under the legal working age against the rules and unsafe or unsanitary working conditions.

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4. Environmental unethical behaviour by companies, such as releasing pollutants into the air, can affect cities, towns, waterways and people lifestyle. Though accidents can occur, the release of harmful toxins and chemicals into the environment due to relaxed safety standards, improper maintenance of working equipment and other preventable reasons is unethical. If a business/firm willingly continues the production of a product despite knowing that inherent environmental risks still exist, it can certainly be categorized as an unethical behaviour. Manufacturing industries may negotiate public health by dumping hazardous waste into the water supply or by releasing toxins in the air far beyond what is allowed by the rules.

5. Vendor Relationships in businesses that buy from and sell products to other businesses are sometimes subject to unethical behaviour. The practice of accepting gifts from a vendor in exchange for increased purchasing is not only unethical but may also have legal consequences. Ethics policies often contain guidelines for giving or accepting gifts with vendors or other business associates, such as a ‘cap on the value’ of the gift. Other businesses strictly prohibit giving gifts or any other item with financial value. This is a safeguard to prevent any perception of unethical behaviour.

6. Exploiting Workersto increase the profits for the owners is still found in some businesses. Some companies have been found guilty of violating the wage and labour laws in India and forcing hourly workers to overwork or even charging workers who complain about violations of the wage laws.

7. Unnecessary Medical Procedures are being practised by certain doctors. Some of them have been found to prescribe the most expensive treatment, which is not entirely necessary for a patient, when a better treatment is available at a lower cost.

8. Tax loopholes are breaches in the tax codes that provide space for individuals or businesses to take unfair advantage without technically violating the law. Some businesses exploit tax loopholes to avoid paying taxes in India, while raking in billions in profits.

9. Overbilling a client, customer or government agency for more than the actual price of a good or service is another example of unethical behaviour

10. Misleading Marketing happens when firms are promising what they cannot deliver; this may increase sales in the short term but over the long term, it will lead to frustrated customers, resulting in negative publicity and possible legal action. Good advertising communicates the benefits of a product or service to potential customers and persuades them to buy.

Corporate responsibility is not always realized. When companies become larger and extend to global spectators, they are often faced with some very unethical practices. When big profits are a company’s largest and only concern, their employees and hence the world in general, tend to suffer due to their unethical conduct.

Below is a short list of some of the world’s biggest and renowned companies who had been called for explanations in the recent past for practising unethical modes to sustain their market in spite of being global market players.

1.**Toyota** had ignored Safety Concerns to Save Money.

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2. **Halliburton** is one of the world's largest oil corporations worldwide and has been sued many times for engaging in business transactions with countries with which trades are prohibited by the US government
3. The **Apple** IT company was charged for engaging in unethical tax practices by utilizing an Irish tax loophole to avoid paying billions in taxes on international sales
4. Multinational metal and energy trading company**Trafigura**was responsible for illegally disposing the toxic wastes and by-products that were produced as a result of their work
5. **Wal-Mart** was sued for what's called predatory pricing, or intentionally selling a product at an unreasonably low cost to drive out the competition. It was also charged for trying to drive competitors out of the market with unfairly low prices
6. **Monsanto** had been named the world's most unethical company by many eco-friendly publications for their hazardous chemical productions
7. **Philip Morris Tobacco** had been lauded as extremely unethical since so much of their advertising seems geared towards children and their intentional marketing of tobacco products to youth
8. **Dyncorp** was accused of spraying gratuitous amounts of herbicide on crops which caused major health issues in nearby residents, killing off livestock, and causing the deaths of over 10,000 people.
9. **Barrick Corporation**, a Toronto-based gold-mining company, had been voted as Covalence's 12thmost unethical company in the world. It was accused of torching up to 300 homes in Papua New Guinea in order to make room for their mining operation. Barrick Corporation was also accused of manipulating land titles in Australia and Chile, and of dumping toxic waste with high levels of arsenic in Tanzania.
10. **Chevron** attempted to undermine the Ecuadorian court when a lawsuit was brought against them for deliberately dumping billions of gallons of toxic waste into the South American rainforest, creating the "Amazon Chernobyl."

MC DONALD'S, NESTLE, CITIBANK, TOSHIBA etc. and many others have also been in the list of practising unethical behaviour to win their hold in the market through shabby procedures.
Courtesy: www.businesspundit.com/10-most-unethical-business-practices

2. ETHICS IN CORPORATE MANAGEMENT

"Ethical management refers to corporate management that not only fulfils economic goals and legal responsibilities, but also meets the ethical expectations imposed by social norms in conducting business"."Business or corporate ethics is a form of applied or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations."

Ethical management also refers to observing corporate ethics and executing all the economical and legal obligations of a firm with a positive and subjective attitude despite any personal grievances.
The need for ethics in management in the corporate sector arises for:

- Minimizing business risks
- Maintaining long time survival and success
- Achieving sustainable development
- Strengthening the organizational structure
- Increasing the public value and the market share

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Ethics can be developed by framing moral values and standards. Ethical management can be used to help fixing these achievable standards and the ethical practices consider the universally followed code of ethics. They aim to achieve long term success by focussing on the path chosen and the impact on the corporate world, the environment, the society and the self. In this perspective many companies including **MICROSOFT, INTEL, GOLDMAN SACHS, GOOGLE** etc. have been awarded as organizations with good ethical practices.

3. CORPORATE GOVERNANCE

"Corporate governance broadly refers to the mechanisms, processes and relations by which corporations are controlled and directed". Good corporate governance gives good organizational benefits if there is a good leadership. Corporate governance is a crucial groundwork in achieving the company's aims because it provides a framework for the organization's leadership.

- Customers are increasingly favouring providers and suppliers who demonstrate responsibility and ethical practices thus exhibiting a competitive advantage
- Good organizations cannot function without good people who truly work only for responsible and ethical people. Failing to be good employers will tend to lose good staff thus increasing the cost and undermining performance and efficiency
- Organisations which lack reliability and responsibility will not have sufficient investors as their performance could not be reliable
- Negative attributes like stress, dissatisfaction in workers etc. will make the productivity decline. Satisfied and productive staff will be ready to work for highly responsible and dedicated organizations as it builds their morale and culture
- Ethically responsible organisations are far less prone to humiliation and disasters and can easily solve any type of them if needed. Ethical values will help to gain a good reputation for the organizations and people who work for them will also be ready to shoulder any burden when they are needed. But this will not be the case for those who fail to be ethical
- All organisations will have to comply with proper globally ethical and socially responsible standards. So legal and regulatory measures have to be followed naturally before they are forced to do so

Corporate Governance offers a very interesting perception to consider human characteristics of leadership, authority, ego, wealth creation and accumulation, greed, risk, responsibility, ethics, morality etc. and how these tendencies resolve or conflict with organizational and market strategies and the needs of society, environment, quality of life, economic health etc. Corporate leadership, more precisely the nature of typical corporate leaders, often involves a paradoxical obstacle to improving Corporate Governance.

P4 MANAGEMENT MODEL AND CORPORATE GOVERNANCE

Courtesy: http://www.businessballs.com/

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FIG 1

The **P4 diagram** above advocates **four principles** or 'cornerstones' of sustainable and responsible success in modern organizations: Purpose, People, Planet, Probity

- Probity means honesty, uprightness
- 'Purpose' is a broader term than 'Profit', which encourages consideration of other organizational purposesthat always exist and must be balanced with the focus on profit

This model is not a process or technique: it represents and guides the character or personality or foundation philosophy of a good ethical organization, or indeed of a manager or leader.The aim of a good modern organization and of an effective Corporate Governance is to reconcile the organizational **purpose** (whether this be profit for shareholders, or cost-effective services delivery, in the case of public services) with the needs and feelings of **people** (staff, customers, suppliers, local communities, stakeholders, etc) with proper consideration for the **planet -** the world we live in (in terms of sustainability, environment, wildlife, natural resources, our heritage, 'fair trade', other cultures and societies, etc) and at all times acting with **probity** - encompassing love, integrity, compassion, honesty, and truth. Probity enables the other potentially conflicting aims to be harmonised so that the mix is sustainable, ethical and successful.

4. BENEFITS OF GOOD CORPORATE GOVERNANCE INCLUDE

1. Improved Reputation
2. Fewer Fines, Penalties, Lawsuits
3. Decreased Conflicts and Fraud
4. Enhanced Performance
5. Access to Capital
6. Better Standards
7. Better Talent Utilization

BUSINESSES WITH BEST ETHICAL PRACTICES IN 2015

Many organizations like **COCA COLA, DELOITTE, ITC INDIA LTD., RELIANCE INDIA, BOEING, J&J, TATA STEEL, FORD** etc. have won much recognition for their good corporate governance.

ACCORDING TO THE ECONOMIC TIMES, IN LATE 2015, THE FOLLOWING REPORT WAS PRESENTED

“Three Indian companies **WIPRO, TATA STEEL AND TATA POWER**have been named among the World's Most Ethical Companies by the Ethisphere Institute, a global leader in defining and advancing the standards of righteous business practices. The designation of "World's Most Ethical Companies" recognises those organisations that truly go beyond making statements about doing business "ethically". In 2015, there were as many as 132 honorees across 21 countries and five continents representing over 50 industries.

"Honorees not only promote ethical business standards and practices internally, they exceed legal compliance minimums and shape future industry standards by introducing best practices today," Ethisphere Institute said.

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Wipro is one of the three IT services companies named in the list in 2015. The other two firms are Japan's Ricoh Company and US-based Xerox Corporation.

Being featured in the list for the fourth consecutive year underscores,**WIPRO**'s commitment to leading ethical business standards and practices, ensuring long-term value to key stakeholders, including customers, employees, suppliers, regulators and investors, the IT major said.
TATA STEELis one of the two companies named in the metal industry vertical, the other being US-based Schnitzer Steel Industries.
The other Tata Group Company **TATA POWER**got featured in the energy and utility (electrical) industry."

5. CONCLUSION

Services sector growth is governed by both domestic and global factors. The Indian services sector has attracted the highest amount of FDI equity inflows between 2000 and 2015. The Government of India has recognised the importance of promoting growth in the services sectors and provides several incentives in a wide variety of sectors such as health care, tourism, education, engineering, communications, transportation, information technology, banking, finance, management etc. The growth performance of all the services is expected to grow greater than 7% in the near future. Utilizing all the available opportunities through proper and organized ethical management techniques and strategies can help the corporate sector to see the road ahead in a very broad perspective. "An ethicist is one whose judgment on ethics and ethical codes has come to be trusted by a specific community, and is expressed in some way that makes it possible for others to mimic or approximate that judgement. Following the advice of ethicists is one means of acquiring knowledge."

Ethics is a conception of right and wrong behaviour and they help to distinguish when the actions are moral and when immoral. Business is the art and discipline of applying the ethical principles to examine and solve complex moral dilemmas. A business is considered to be ethical only if it tries to reach a trade-off between following economic objectives and its social obligations. Trust is used as an indicator variable of ethics. Basically trust is three dimensional i.e., trust in supplier relationships; trust in customer relationships; and in employee relationships. If the company is able to maintain trust relationship with all stakeholders, then it is an ethical company.
There must be a strong corporate governance to control the unethical issues and activities. Good corporate governance should look at all stakeholders and not just shareholders alone. Corporate governance is something which comes from within. The ethical regulations should be followed both in letter and spirit. Social service institutions should take effective steps to bring in the notice of authorities of such businessmen who act on unethical grounds.

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