

IMPACT OF BUSINESS ETHICS ON THE PERFORMANCE OF THE BUSINESSES

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ABSTRACT

To make Players of Business totally free from Professional Un-Ethical Conduct, further research may be undertaken by future researchers, including the present author, from the point this research work is being culminated, to find out why the attitude of Professional Unethical conduct germinates and grows and how to eradicate totally the mindset of Professional Unethical Conduct of Industry Players in Business.

STUDY

The Study examines and assesses the perceptions of industry professionals on the role of professional ethics in the quality of industry and the adherence of professional ethics by the players in the business.

The results indicate that the professional ethics and industry quality are complimentary to one another. The results also indicate that there is substantial absence of professional ethical practices by business players in India. The perception of respondents on professional ethical standards in Indian business is substantially low side and the respondents own business is showing shade better. In the business human resource side both personal ethics and professional ethics and training of employees on ethical conducts are very low. The respondent organizations have their own ethical code of conduct and gives importance to business ethics as well as personal ethics. As per our survey feedback report the rankings of ethical standards being practiced by Architects come on the top, project managers took second, industry managers and others are in the bottom most positions. As per respondents' perception about effectiveness of good ethical practices in business, delivery of meeting schedules came on top with rating of 3.72 and quality

of industry will be improved with rating of 3.63 against overall rating of 3.6, higher ratings denotes better situation. In response to question of professional unethical practices as tender stage, 'prequalifying incompetent contractors and consultants' came on top with rating of 2.67 against overall rating of 2.43. Higher rating denotes more adverse condition. In response to question on measures to raise the level of professional ethical conduct around 91% respondents perceived leaders as role model is the best method, with ranking at top with rating of 4.39, Improvement of quality consciousness at number 3 top position with rating of 4.25 and inducting rewards and punishment rules at number 4 top position 4.20 against overall rating of 4.13, higher ratings denotes better situation.

The research findings indicate that various forms of professional un-ethical conduct have significant effect on the quality of industry. The research findings also suggest means of improvement of quality by inculcation of professional ethics in Indian business.

As shown in Figure, the average rate of perception of the respondents about the level of professional ethical standards /codes being practiced in own organization on the attributes- professional code of ethics (3.85), training of employees on ethical conducts (3.56), personal ethics (3.37), Transparency (3.14) and good publicity practices (2.76). The results gives the levels in descending order of being practiced, the highest value means least practiced. The attributes are detonated as: a) Professional Code of Ethics, b) Training of Employees on Ethical Conducts, c) Personal Ethics, d) Transparency, e) Good Publicity Practices.

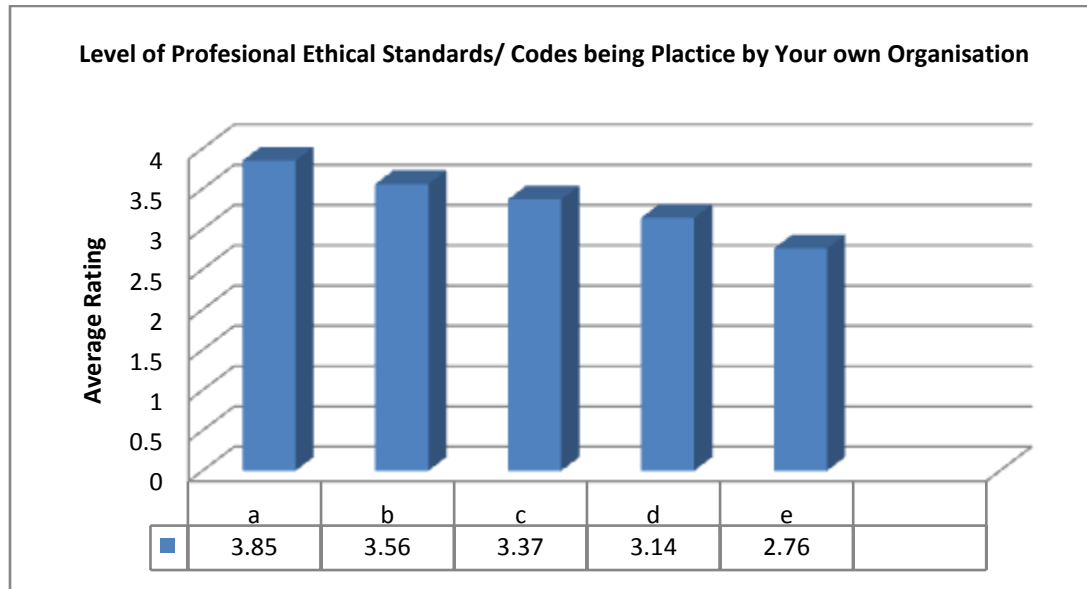
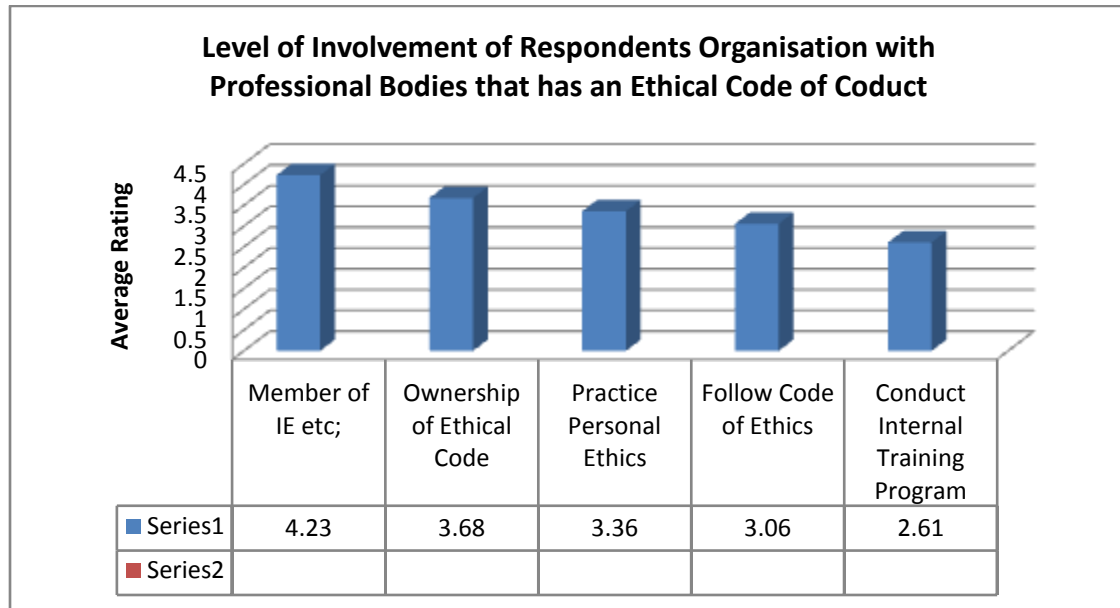


Figure: Level of Professional Ethical Standards being Practiced in Own Organisation

As shown in Figure, the observed average rating of each attribute of ethical standards / code being practised are abymisally poor both in Indian business and in the resondents’ own organization, but the attributes practiced in own organization is better in comparison to the attributes practiced by the overall Indian business.

As shown in Figure 3, the level of average rate of involvement of the respondents’ organization with Professional Bodies that have an Ethical Code of – member of Institute of Engineers/ Indian Road Congress/ Indian Building Congress/ Project Management Institute/ Council of Architecture (4.23); organization has their Ethical Code of Conduct (3.68); engineers and supervisors practice personal ethics (3.36); , officers and staff follow internal standards/ code of ethics(3.06); conducting training programs on internal / standards / code of ethics(2.61). The results gives the levels in descending order of being practiced, the higher value means more involved.



Level of Involvement of Respondents’ Organization with Professional bodies that has an Ethical Code of Conduct.

As shown in Figure, the level of average rate of Ethical Standards being practiced/ maintained by players in Indian Business - Architects(3.97); Project Managers representing owners/ clients (3.47); Quantity Surveyors, who prepare project estimates, Bill of Quantities (BOQ)s for the bid/tender, measure quantities for for payment (3.3); Constultants , who prepare detailed project report, structural engineering design and implementation for projects(3.28);site engineers , both from the owners and contractors’ side for field execution of project works(3.00); Others including material suppliers (2.74). The results gives the levels in descending order of being practiced, the higher value means more ethical.

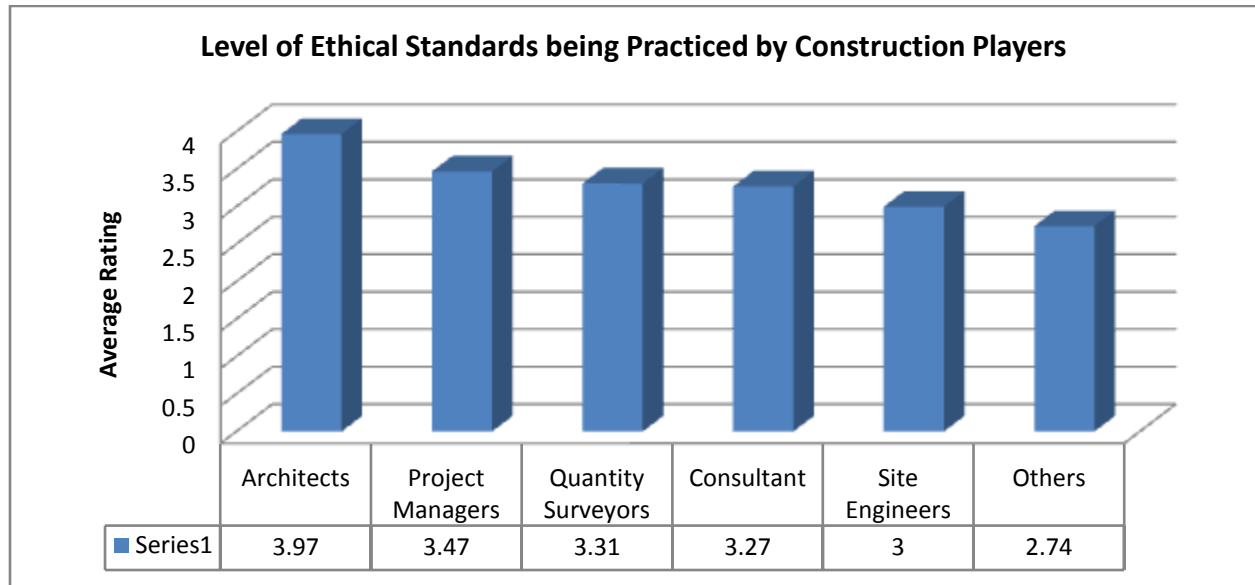


Figure: The level of Ethical Standards being Practiced by in Indian Business Players

As shown in Figure, the average rating of effectiveness of good ethical practices. in Indian Business – improvement of quality of industry including improvement of standards ,meeting delivery schedules, (4.40); improvement of customer satisfaction (4.16); better following of drawing, specifications and standards/codes(3.76); reduction of cost of industry(3.49) and improvement of employee morale and standards(3.16). The results gives the levels in descending order of being practiced, the higher value means more effective.



Figure:Rating of Effectiveness of Good Ethical Practices

As shown in Figure, the average rating of prevailing unethical conducts of industry players at the tender stage – prequalifying incompetent contractors and consultants even fudging prequalification requirements(4.08); insufficient and inaccurate bid documents including Bill of Quantities and poor quality documents including inadequate information flow and disclosing tender informations to selective bidders(3.77); collusion between client and consultant and /or contractor(3.45); tender cartelling(3.28); reverse bidding /retendering and bid shopping(3.00).

The results gives the levels in descending order of prevalence of occurrence, the higher value means more prevalent.

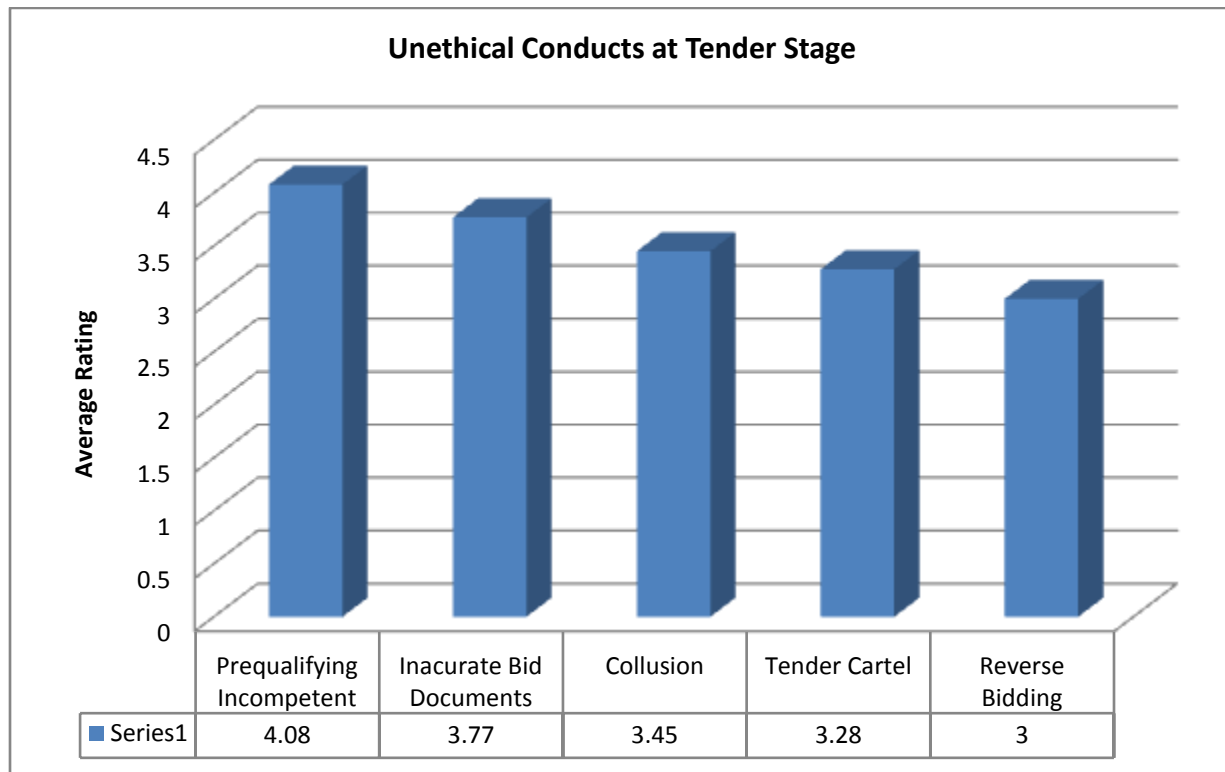


Figure: Rating of Prevailing Unethical Conducts of Industry Players at the Tender Stage

As shown in Figure, the average rating of prevailing unethical conducts of industry players at the execution stage – providing/ accepting substandard materials and workmanship (4.06); falsifying test results including covering up defective works during inspection and testing by the contractors(3.66); claiming/paying inflated rates, including playing change order manipulation games that is ~ substituting the loss making items with extra/additional/ new items of works (3.45); billing and paying for items of works not performed(3.30); inadequate safety standards at work(3.02).

The results gives the levels in descending order of prevalence of occurrence, the higher value means more prevalent.

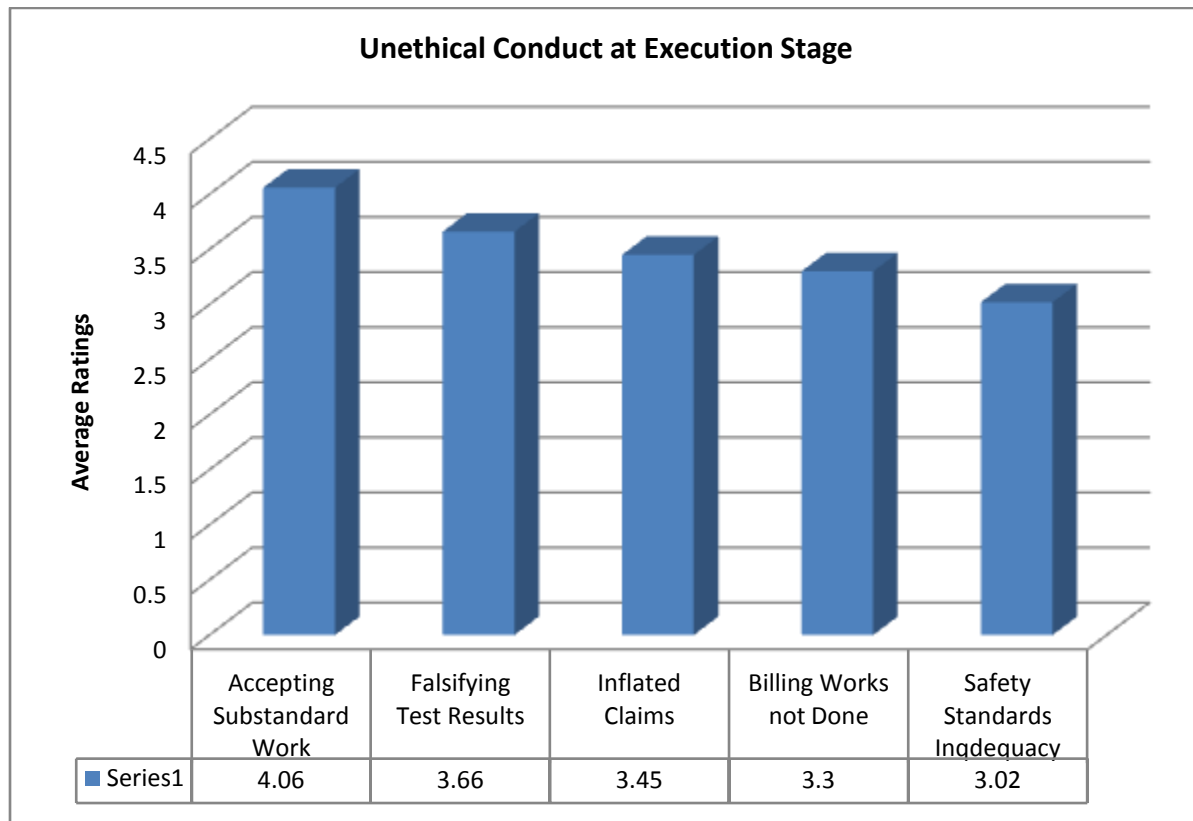


Figure: Rating of Prevailing Unethical Conducts of Industry Players at the Execution Stage

As shown in Figure, the average rating of the measures to raise the level of Ethical Conduct of Indian Industry Players – Leaders surviving as role model(4.23); strict enforcement of laws and rules(3.78); appointing knowledgeable and honest ethical assessors(3.45); creating awareness about ethical values and code of conduct and improvement of quality consciousness(3.30); not encouraging profit –making under pressure at the cost of ethical conducts(3.07). The results gives the measure to be taken in descending order of prevalence of occurrence, the higher value means more effective measure.

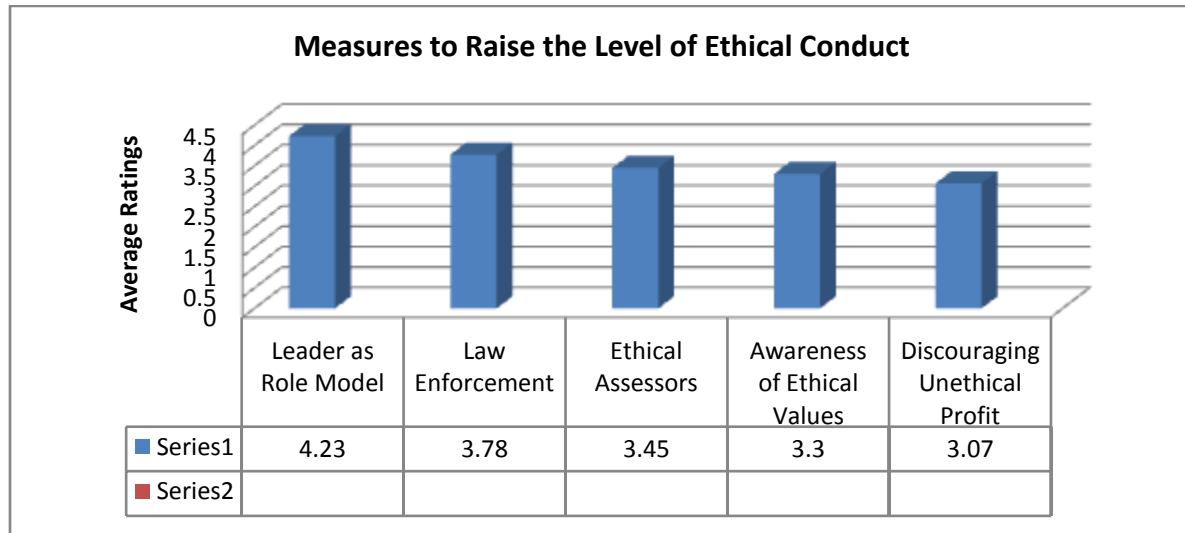


Figure: Rating of the Measures to Raise the Level of Ethical Conduct

As shown in Figure, the average rating of the reasons of difficulty to follow Professional Ethics in Indian Business – verification of facts in prequalification documents are very time consuming and cumbersome(3.92); project industry contracts are much less in numbers than contractors and bagging contracts are very stiff and therefore contractors/ consultants try to become successful at any cost by resorting to each and every professional unethical practices(3.59); too many vulnerable joints exist in the project execution process chain starting from inception to completion, wherein professional unethical practices may be conducted to obtain undue benefits / results(3.39); strict government rules to award the work to the lowest bidder, impractical cost and time restriction and contracted price is much less than market price, without any consideration whether work can be executed by the contractor / contractor by fair means((3.30); accountability of individual construction player is very weak as work is executed as a team and segregating earmarking individual responsibility and accountability is very difficult and weak(2.97).

The results shows the reasons of difficulty to follow Professional Ethics in Indian Business in descending order, higher value of average rating means more difficult to follow.

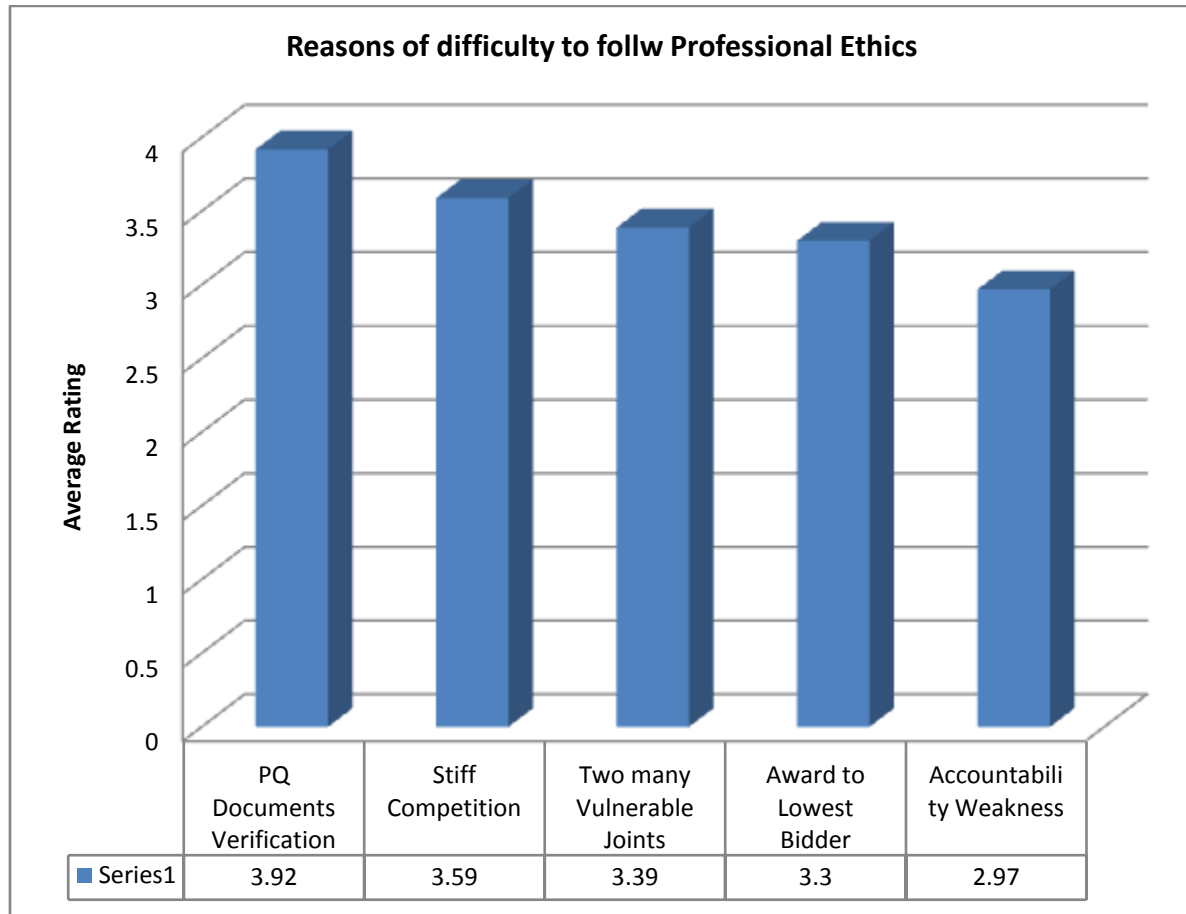


Figure: Reasons of Difficulty to Follow Professional Ethics in Indian Business

As shown in Figure, the average rating of prevailing unethical conducts of industry players at the tender stage – prequalifying incompetent contractors and consultants even fudging prequalification requirements(4.08); insufficient and inaccurate bid documents including Bill of Quantities and poor quality documents including inadequate information flow and disclosing tender informations to selective bidders(3.77); collusion between client and consultant and /or contractor(3.45); tender cartelling(3.28); reverse bidding /retendering and bid shopping(3.00).

The results gives the levels in descending order of prevalence of occurrence, the higher value means more prevalent.

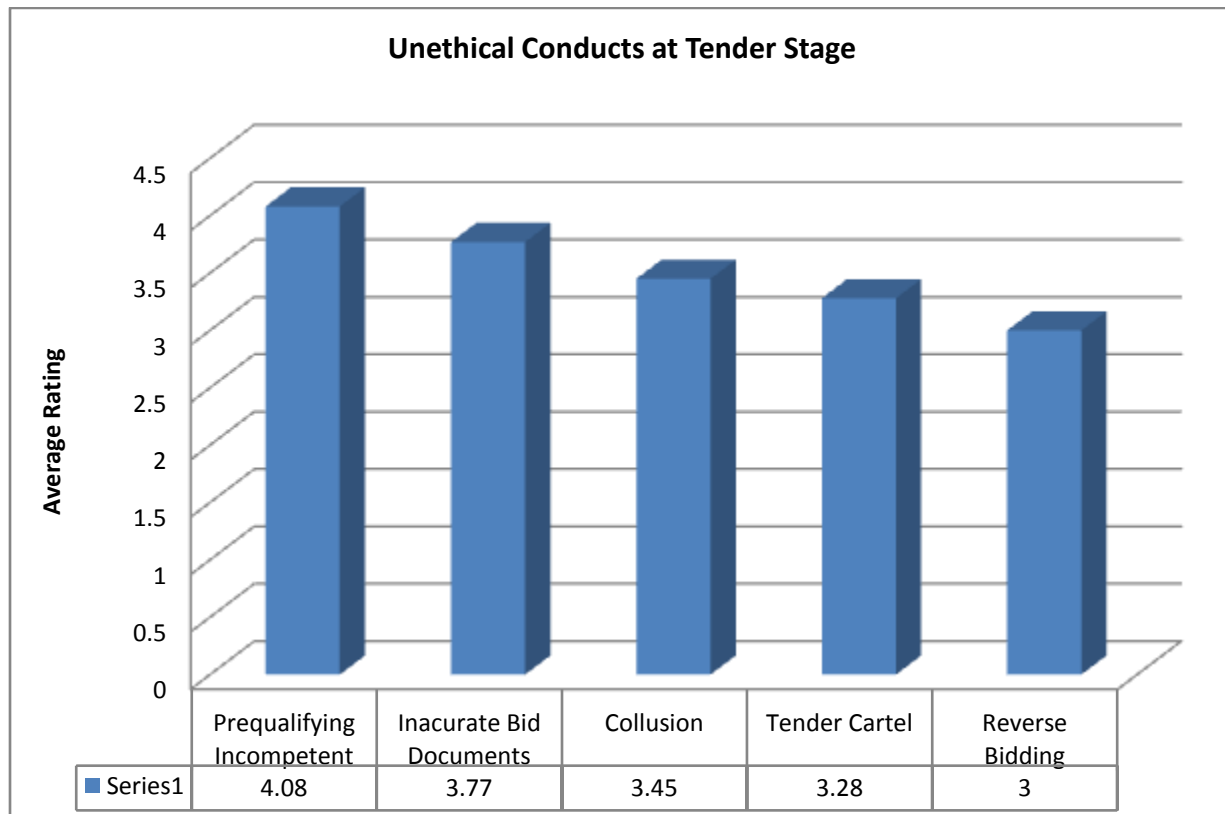


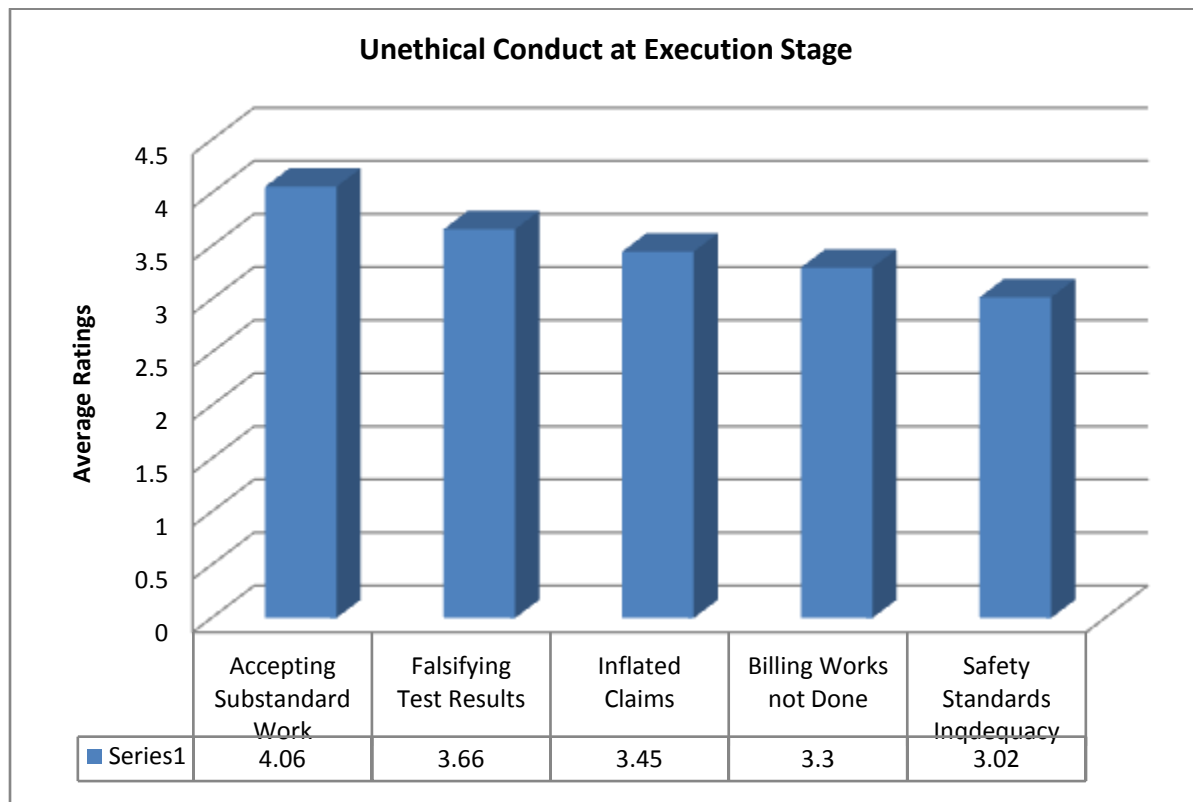
Figure: Rating of Unethical Factors which influence the quality of industry at tender stage

As shown in Figure, the average rating of prevailing unethical conducts of industry players at the execution stage – providing/ accepting substandard materials and workmanship (4.06); falsifying test results including covering up during inspection and testing by the contractors(3.66); claiming /paying inflated rates , including playing change order manipulation games that is ~ not executing the loosing items of work by substituting the with extra/additional/ new items of works (3.45); billing and paying for items of works not performed(3.3); inadequate safety standards at work(3.02).

The results gives the levels in descending order of prevalence of occurrence, the higher value means more prevalent.

The first five in the ranking are:

1. prevailing unethical conducts of industry players at the execution stage – providing/ accepting substandard materials and workmanship
- 2 falsifying test results including covering up during inspection and testing by the contractors
- 3 claiming /paying inflated rates , including playing change order manipulation games that is ~ not executing the loosing items of work by substituting the with extra/additional/ new items of works
4. billing and paying for items of works not performed
5. inadequate safety standards at work.



RECOMMENDATIONS

Recommendations arising from the research that Project Managers, Industry Managers, Site Engineers, Consultants, Quantity Surveyors, Contractors and all other stake- holders in Indian

Business should undertake industry projects with the QMS objective of obtaining best quality by inculcating Quality Management Systems and implementing professional ethics in every process of the value chain. ISO 9001: 2008 Quality Management System, Total Quality Management and ISO 14001:2004 Environment Management System, shall have to be implemented at all levels throughout the Business. All players in Indian business must develop quality management processes and systems at their specific areas of operation within the industry

It shall be the aim of all stake holders to meet all contractual obligations, statutory and legal requirements in transparent and fair manner in respect to industry quality and safety.

Contractors and consultants should be employed on the basis of values of professional ethics namely, transparent, fair and un- biased written contracts. Contractors and consultants shall not make any unwarranted claims for additional payment or time or in laxity for adherence to specifications or drawings in the belief and consideration of ‘nothing ventured, nothing gained’.

There should be regular awareness training on professional ethical values to be upheld by each and every player in business. Leadership quality is to be inculcated and nurtured among industry players. Environmental safety should be given adequate priority.

There should be regular trainings and workshops on Quality Management Systems as per ISO 9001:2008, Total Quality Management, Environmental Management Systems as per ISO 14001:2004 and Safety Management.