



## Ethics in Organizations: The Case of Tata Steel Manufacturing Sector

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**Abstract:** *The failure of numerous notable corporate organisations due to intense social criticism of certain of their business practises has significantly increased the concern for ethical decision-making among regulators, social groups, and management in recent years. The paper examines and discusses key challenges of ethical decision-making in organisations in order to review the literature in order to address this topic. The body of literature demonstrates that the research done to examine how ethical decision-making relates to other organisational constructs is insufficient. By creating a thorough framework of organisational ethical decision-making and employee behaviour in organisations, this study attempts to close this gap. Three categories of variables are identified under the framework: moral intensity, internal factors, and external factors. Additionally, Tata Steel uses it to analyse how the code of conduct is being implemented. The fact that values conflict makes ethical issues challenges of choice. When personal beliefs and societal expectations clash, they take place. Managers in companies frequently struggle to determine the best course of action from the perspective of various stakeholders due to their competing interests. As a result, it's critical to instruct managers on what is appropriate and what isn't by clearly expressing and communicating these concepts. According to this study, persons who have a high sense of their own abilities are more willing to make moral decisions. Create systems for accountability, a suitable monitoring system, and rewards and incentives. Organizational ethics are violated by internal performance management procedures that are motivated by competitiveness. In order to assure ethical decision-making, businesses adopting such methods would need to put more effort into socialisation, training, and monitoring. Develop several safeguards to prevent code of ethics violations. Ethics supervisors should ideally report to a separate unit within the firm, preferably at a higher level, to provide proper monitoring. As a result, it may be necessary to change the reporting structures in order to apply ethical standards.*

**Key Words:** *Ethical Decision-making, Ethical Behaviour, Organizational Ethics, Individual Values, Tata Code of Conduct.*

### 1. INTRODUCTION:

Humans are social creatures. Although the same natural laws that govern all other living things also apply to humans, man has developed a set of principles that guide both his personal and social behaviour. These laws, which take the shape of behavioural standards, may vary throughout cultures and eras, but their fundamental goals—mutual coexistence and peace within the specific community or social group—are always the same. These norms aid in the survival of the specific community or social group by guaranteeing the safety and protection of the group. The term "ethics" refers to these moral guidelines. Organizations are subject to the same monitoring and evaluation procedures as people.



## **2. LITERATURE REVIEW:**

### **ETHICS: THE CONCEPT**

Ethics is described as the quality that distinguishes between ethical and immoral behaviour. It also determines what is good and evil, right and wrong, and, consequently, what we should and shouldn't do. Through a system of societal ideals that we can use to evaluate our acts, the ethical sense of right and wrong is derived. The social values are used as the foundation for setting ethical standards in a social group. The primary aspirations of people in any social group are values. They are the decisions a person makes to improve the quality of his or her life. The set of moral principles that support the existence of the wider community and conform to social norms is known as the ethical principles. The ideals that the group holds dear result in a certain pattern of behaviour among its members, which then serves as the benchmark for future behaviour. Some of these standards eventually acquire legal significance.

### **ORGANIZATIONS AND ETHICS**

Ethics are given in organisations, as they are in every social group. Research has previously established that morality pays. The emphasis on ethical behaviour in firms has increased in recent years due to the fact that unethical acts cost businesses billions of dollars annually and harm their reputations (Trevino, 1986). Organizations are now increasingly focused on upholding their social obligations and upholding ethical standards as a result of societal expectations as well as pressure from the legal and professional communities. The Financial Times' annual list of Europe's most reputable corporations in 1997 recognised ethical issues as the primary cause of Shell's sharp decline in position. Following these negative experiences, the organisation experienced an upheaval and began to make changes in order to achieve sustainable growth (Donaldson and Dunfee, 1999). Similar to Shell, many companies receive harsh social criticism for their business practises and for their products, which are seen as being detrimental to consumers (such as cigarettes). The Enron and Arthur Anderson incidents in recent corporate history highlight the significance of ethical behaviour. Problems of ethics are issues of decision. They don't become issues because of how individuals tend to behave, but rather due to the contradictory nature of the moral principles and self-legitimizing interests. Only when personal goals and social norms conflict can ethical dilemmas in behaviour and decision-making arise. Every company has stakeholders, including employees, investors, customers, the government, rival businesses, suppliers, and other members of the community. Most of the time, companies are able to strike a balance between their commitments to these many stakeholders. However, disputes between the interests of two or more parties do occasionally occur. In these circumstances, the more powerful and prominent group may take precedence over others in order to advance their own interests. The studies cited above (Dubinsky and Loken 1989; Hunt and Vitell 1986; Jones 1991; Trevino 1986; Zey-Ferrell and Ferrell 1982; Beu and Buckley 2001) are based on several models of organisational ethical decision-making and behaviour. However, because of the intricacy of the challenges, these frameworks have not been able to appropriately advise the managers. The issue-contingent model developed by Jones (1991) combined concepts and ideas from eight earlier models with a brand-new concept called moral intensity. In order to help managers and upcoming academics, we have created a more straightforward framework in this paper to describe ethical decision-making and behaviour in businesses. On the basis of the literature, particular focus is placed on the management and organisational implications of various aspects in terms of applicability in those ethical fronts.

## **3. METHOD:**

Organizational ethics research is a complicated topic where different subjective realities coexist. Such an ontological setting recommends doing qualitative research. Additionally, from an epistemological perspective, researchers must watch the phenomenon to comprehend the dynamics of managers' behaviour in companies, which suggests using the case method to conduct qualitative research (Eisenhardt, 1989). The idea that emerges from this type of case study research is novel and testable (Eisenhardt, 1989). But developing theories in qualitative research using the case approach is not without its difficulties. Validity of data and removing researcher bias are at the top of the list (Maheshwari and Ahlstrom, 2004). These difficulties could be solved by gathering and analysing data from various sources. Eight in-depth, unstructured interviews with the CEO, an ethical advisor, and other senior Tata Steel managers were performed for the study. We created nine proposals based on the case study and literature analysis, which were then covered in two focused group discussions. These exchanges were beneficial for confirming and honing the arguments.

## **4. DISCUSSION AND ANALYSIS:**

### **INDIVIDUAL ETHICAL DECISION-MAKING AND BEHAVIOUR**



Managers' ethical decisions and behaviours are those that are both legally and morally acceptable to employees and other stakeholders. Ethical behaviour is preceded by ethical decision-making. Moral reasoning, as well as decision-makers' intentions and stakes, influence ethical decision-making (Trevino, 1986). (Ajzen and Fishbein, 1977). In high involvement situations, such as ethical quandaries, Ajzen and Fishbein (1977) discovered that intentions are good predictors of behaviour.

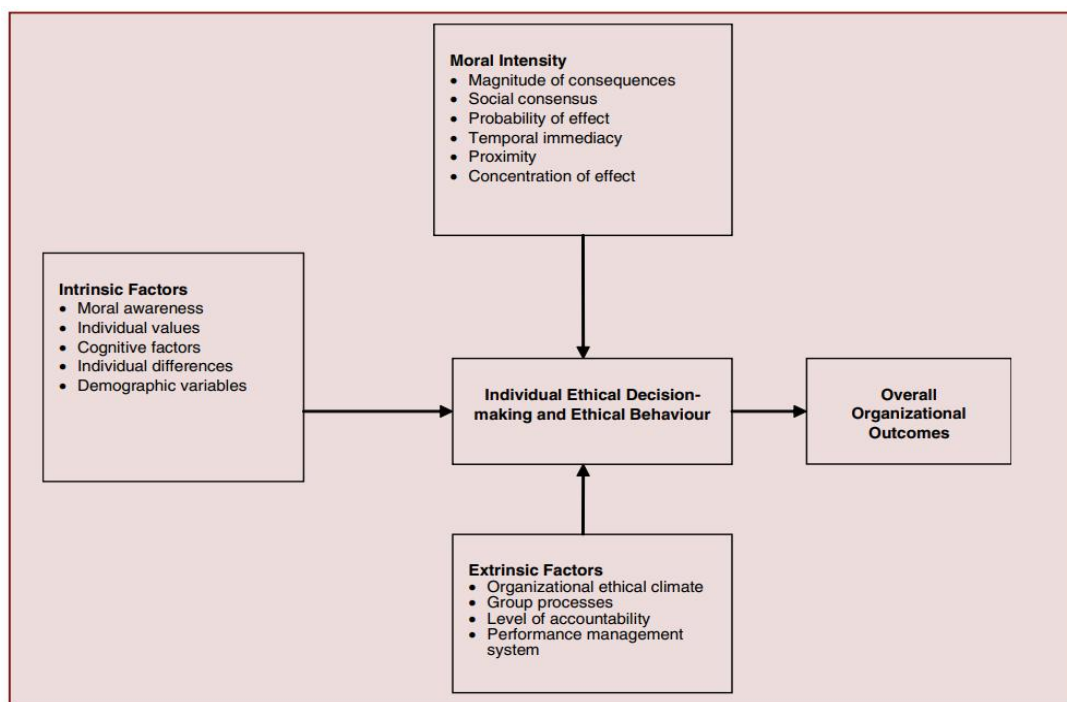
**Moral Intensity**

Moral fervour is a feature of the moral issue itself. It has a significant impact on employee ethical awareness, ethical decision-making, and behaviour (Jones, 1991). Every ethical issue can be represented in terms of its moral intensity, which includes the following constructs: Magnitude of consequences: The magnitude of the moral issue's consequences is the sum of the harms (or benefits) done to the victims (or beneficiaries) of the moral act in question. According to Fritzsche and Becker (1983), when faced with moral quandaries, ethical behaviour is more likely to be prompted by serious consequences rather than minor consequences.

Social consensus: The degree of social agreement that a proposed act is evil is referred to as social consensus of the moral issue (or good). It denotes social agreement on whether an individual's behaviour is appropriate or not. A high level of social consensus reduces ambiguity when making a decision, leading to ethical decisionmaking.

Probability of effect: The probability of effect is a joint function of the likelihood that unethical choices will be detected and will actually cause harm (benefit). In countries like India, where the legal system is complex and time-consuming, the likelihood of actual harm is significantly reduced in many situations. As a result, violations of the law are common in organisations. However, increased activity in social groups and the media has increased the likelihood of harm due to unethical choices in the recent past. As a result, there is a greater concern about ethical decisions in organisations. Temporal immediacy: The length of time between the present and the onset of the consequences of the moral act under consideration (a shorter length of time implies greater immediacy). Managers have become more focused on the short term as a result of increased competition and performance concerns. As a result, managers may make unethical decisions if the positive outcomes of such decisions are significant and immediate, while the possible negative outcomes may take longer.

Proximity: Proximity is the moral agent's sense of closeness (social, cultural, psychological, or physical) to the victims (beneficiaries) of the evil (beneficial) activities in question. Increased proximity increases concern for such people in managerial decision making. Concern for people in the organisation and its stakeholders is found to be higher among managers who are more committed to their profession and the organisation (Lee, 2002). Concern for ethical decision-making would thus necessitate human resource managers finding ways to increase managerial commitment.



**Figure 1: A Contingency Framework for Ethical Decision-Making and Organizational Behaviour**



### **Intrinsic Factors**

These are the factors that are inherent in the individual. Moral awareness: Awareness of an ethical issue is an important step in the decision-making process that leads to ethical choices and behaviour. According to the Bounded Personal Ethics model, people are influenced by both ethical concerns and self-interest. Lack of awareness of the ethical nature of their actions can lead to self-interested behaviour. The consequences of decisions frequently have ethical implications that are not immediately apparent. In such circumstances, managerial decisions may be influenced by factors other than ethics. Once ethical values have been raised to the level of awareness, they will be a significant force in an individual's decision-making. Awareness is a critical causal antecedent of ethical behaviour. As a result, organisations could improve their concern for ethics by raising moral awareness through interventions such as the distribution of a code of ethics. Seminars, talks, conferences, and other socialisation techniques may increase moral awareness and thus concern for ethics. Individual values: Managers' choices are heavily influenced by their personal values. They manifest as interests and motives, influencing one's behaviour.

### **Extrinsic Factors**

According to Roozen, DePelsmacker, and Bostyn (2001), the employee's stage in his or her career plays a significant role. The major organisational variables identified in studies that play a significant role in ethical decision-making and behaviour are organisational ethical climate, organisational group processes, the level of accountability among employees, and performance management system. These organisational variables are highly interconnected and influence one another. Organizational ethical climate: This is defined as the shared perceptions of what ethically correct behaviour is and how ethical issues should be handled. It is a synthesis of the organization's formal and informal policies, as well as the managers' personal ethical values. The ethical code of conduct of an organisation and supervisory influence are important contributing factors to organisational ethical climate (Wotruba, Chonko, and Loe, 2001; Wimbush, 1999; Wimbush and Shepard 1994; Cohen, 1993). The ethical climate is a powerful moderating variable for the various relationships between the ethics-related variables. Shared beliefs can provide both direct and indirect pressures to employees in the form of reinforcements and role models.

## **5. FINDINGS :**

During the early stages of the code's adoption, attention was paid to increasing moral fervour by forging societal agreement as problems were also discussed among family members, vendors, and dealers. The severity of the penalty for breaking the code of conduct was increased. It demonstrates that as moral intensity rises, so does concern for ethics in organisational decision-making. We did not see any effects of managers' achievement orientation on their ethical decision-making during the trial. In a similar vein, we failed to spot instances that would have distinguished between ethical concerns at various organisational levels. The Tata Steel case shows that socialising is likely to enhance organisations' ability to make moral decisions. By planning events to promote managers' sociability, the organisation will gain a lot of advantages. In order to implement ethics in organisations, businesses would simply need to plan lots of social gatherings. Different degrees of supervisors were crucial to the implementation of the code. They supported the ethical coordinators' independent operation inside their departments. These organisers received the proper thanks and appreciation for their hard work. Supervisors were also acutely aware of the code themselves. They made sure that none of their choices were against the law.

## **6. RECOMMENDATIONS:**

According to this study, managers must adopt ethical practises while concentrating on matters of leadership, organisation, and code of conduct. Through communication, rewards and penalties, and the adoption of a role model status, the leadership at various levels of the business will need to demonstrate a strong commitment to ethics.

Organizations would need to structurally integrate ethics with the ongoing tasks of the managers at all levels. By creating alternative reporting systems for ethical issues, it will be necessary to protect the individuals involved in the implementation of ethical principles from potential risks. Therefore, for judgements involving ethics, the current reporting structure will change. To further indoctrinate corporate principles and ethical behaviours, extensive socialisation will be necessary at various levels. Better application of ethical practises is probably the result of socialisation that results in voluntary adoption of practises. All stakeholders, including the families of senior managers, should be made aware of the ethical practise norms that have been documented and extensively disseminated. The family members' efforts that foster a sense of pride in adopting moral behaviour are likely to provide better outcomes.

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