

Ethics in Organizations: The Case of Tata Steel

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Executive Summary

The concern for ethical decision-making among the regulators, social groups, and managers has substantially increased in recent years following the failure of some of the prominent business organizations owing to strong social condemnation of some of their business practices. This paper reviews the literature to address this concern by examining and discussing significant issues of ethical decision-making in organizations.

Literature shows that the research to examine the linkage of ethical decision-making with other organizational construct is inadequate. This paper tries to fill this gap by developing a comprehensive framework of organizational ethical decision-making and behaviour of individuals in organizations. The framework identifies three groups of variables: a) moral intensity, b) intrinsic factors, c) extrinsic factors. Further, it is used to analyse the implementation of code of conduct at Tata Steel.

Ethical problems are problems of choice owing to the conflicting nature of values. They occur when the individual values and the social norms conflict with each other. Often, due to conflicting interests of different stakeholders, managers in organizations face the dilemma of identifying the righteous decision as perceived by these stakeholders. Hence, it is important to guide managers — by articulating and communicating unambiguously — regarding what is right and what is not. Intense socialization will be required at different levels to imbibe organizational values and ethical practices. The socialization that leads to willing adoption of practices is likely to lead to better implementation of ethical practices. The scope of socialization could be extended to include the family members of employees to develop a sense of pride among them for being ethical.

Organizations would need to undertake the following initiatives which would be useful for implementation of ethical practices:

- Enhance perceived self-efficacy among the employees. This study shows that people with high self-efficacy are more open to ethical choices in their decision-making.
- Initiate reward and incentive mechanisms, suitable monitoring system, and accountability mechanisms. Internal competition-driven performance management practices induce violation of ethical norms in organizations. Hence, organizations with such practices would need extra effort in socialization, training, and monitoring to ensure ethical decision-making.
- Develop different mechanisms for avoidance of violation of code of ethics. For adequate monitoring, ethic supervisors should ideally report to an independent unit in the organization, preferably at a higher level. Hence, the reporting relationships may need alteration for implementation of ethical practices.

The study also suggests that leadership at different levels of the organization will have to display strong commitment to ethics through communication and adoption of role model stature. ♡

KEY WORDS

Ethical Decision-making

Ethical Behaviour

Organizational Ethics

Individual Values

Tata Code of Conduct

Man is a social animal. Though rules of nature control the humans as they control the other living beings, the man himself has derived certain principles to govern his own individual and group behaviour. These rules, in the form of behavioural standards, may differ across cultures and times but their basic objectives are always mutual existence and peace within the particular community or the social group. By ensuring security and protection of the group, these standards help in the survival of the particular community or a social group. These standards of behaviour are called 'ethics.'

Like individuals, organizations are also monitored and evaluated by a set of ethical standards. Entities like the professional and legal bodies, government, United Nations Amnesty International, and other public interest groups influence the norms of behaviour for organizations. They try to govern the important ethical concerns by influencing policies and rules.

ETHICS: THE CONCEPT

Ethics is defined as that characteristic which constitutes good and bad human conduct and that which decides what is good and evil, right and wrong, and thus what we ought and ought not to do. The ethical sense of right and wrong is derived by a set of social values through which our actions can be tested. In a social group, the ethical standards are set keeping the social values as the base. Values are the central desires of individuals in any social group. They are the choices that an individual makes to enhance the quality of his or her existence.

Ethical values are the set of values which are in accordance with the social norms and help in the existence of the larger community. The values that are considered important for the existence of the group lead to a particular pattern of behaviour among the group member and thus become the standards for future behaviour. In course of time, a few of these standards gain legal significance.

ORGANIZATIONS AND ETHICS

As in any social group, ethics is inevitable in organizations. Research has already shown that ethics does pay. Since unethical practices cost the industries billions of dollars a year and damage the images of corporations, the emphasis on ethical behaviour in organizations has increased over the recent years (Trevino, 1986).

Societal expectations and pressures from the legal

and professional bodies have forced the organizations to be more concerned about their social responsibilities and ethical practices. In 1997, *The Financial Times'* annual survey of Europe's most respected companies identified ethical problems as the key reason for the dramatic drop in Shell's ranking. The company turned upside down in the aftermath of these unfavourable experiences and thus started correcting itself in order to achieve a sustainable growth (Donaldson and Dunfee, 1999). Similar to Shell, many organizations whose business practices are perceived to be unethical and whose products are considered to be harmful to the consumers (e.g., cigarette), face strong social condemnation. In recent corporate history, the Enron and Arthur Anderson episodes underscore the importance of ethical practices in business.

Ethical problems are problems of choice. They become problems not because of the peoples' tendency to do evil, but because of the conflicting nature of the standards and interests which are valid in themselves. Problems in ethical decision-making and behaviour occur only when the individual interests and the social norms conflict with each other. Every organization is accountable towards its stakeholders—employees, capital investors, consumers, government, competitors, suppliers, and other community members. In most situations, the organizations are able to balance its obligations towards these varied stakeholders. However, sometimes conflicts do arise between the interests of two or more stakeholders. In such situations, the more influential and powerful group could gain precedence over others to protect their own interests. For example, though maximizing financial returns is an organization's obligation towards its shareholders, it could be at the cost of ecological system or legal business practices. Managers under these situations face the dilemma of whether to protect long-term interests of the organizations or short-term profits. The recent thrust on high output-driven performance and reward linkages in organizations is driving towards short-term interests. It might adversely affect the adherence to ethical norms in organizations.

In order to ensure ethical business practices in an organization, it is important to have an ethical orientation among the people who own, manage, and work for it. This could be achieved by adopting proper structures, policies, and practices as they influence the ethical behaviour through flow of communication and reinforcements of ethical choices. Various successful organi-

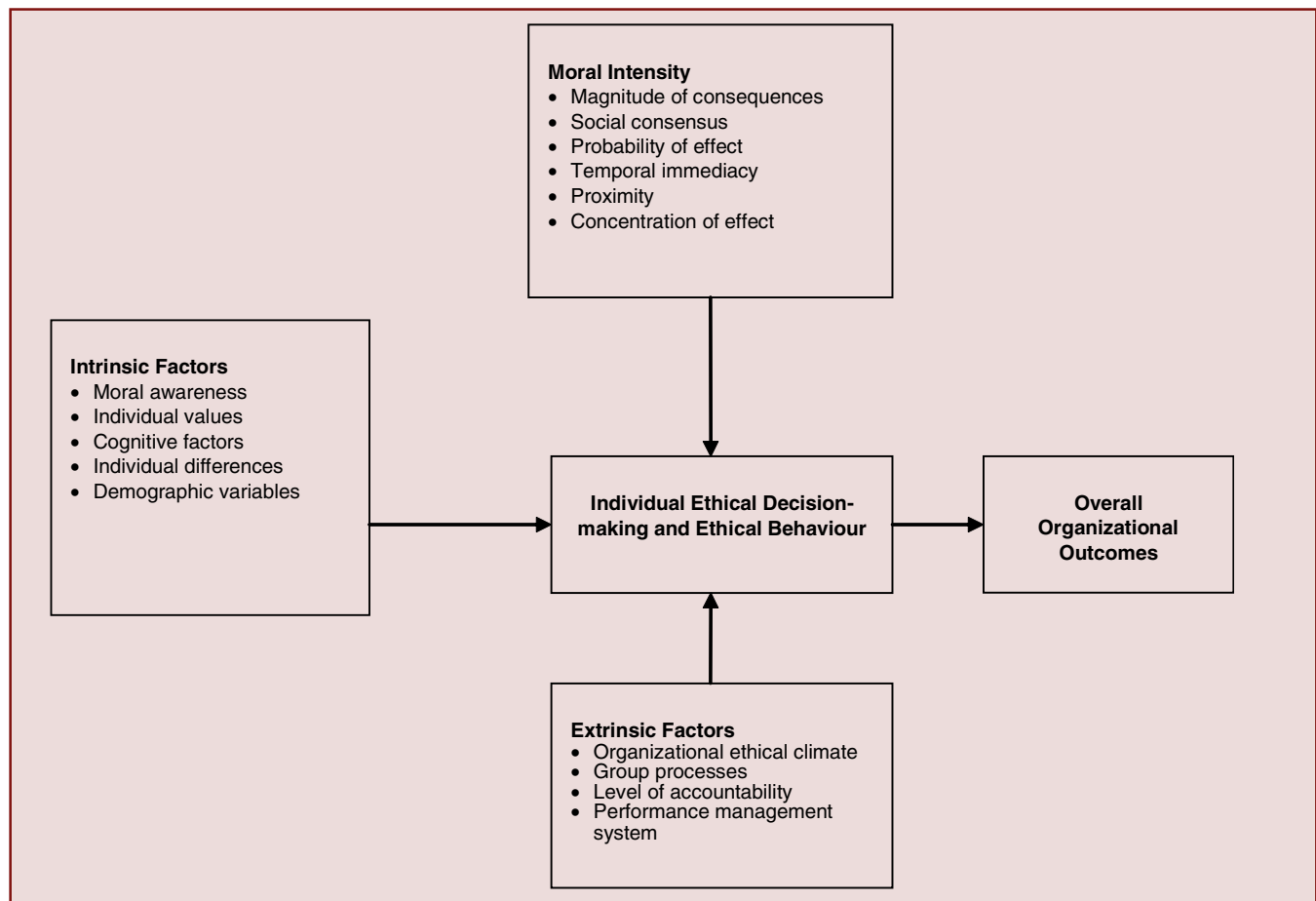
zations encompass ethical conduct as a critical measure in performance evaluations and compensation. Jack Welch, one of the successful CEOs of GE, insisted that the leaders of his organization should be oriented towards the organizational value more than being highly result-oriented. He rated GE's top-level managers not only on their performance against targets but also on the extent to which they 'lived up' to the GE values.

According to Stark (1993), the managers are not hostile to the idea of business ethics but might consider it to be irrelevant. For example, financial performance might overweigh ethical standards to reflect high short-term performance measures. It is important to examine how organizational variables instigate managers to consider short-term performance measures while ignoring the concern for ethics. Such an examination of organizational structural characteristics and processes that influence ethical decision-making and behaviour would make the issue relevant for managers. To extend this stream of inquiry, researches in the area of ethical decision-making and its determinants in organizations

have been carried out in the recent decades (e.g., Trevino and Youngblood, 1990; Witkin and Goodenough, 1977; Blasi, 1980). These researches are based on different models of organizational ethical decision-making and behaviour (Dubinsky and Loken 1989; Hunt and Vitell, 1986; Jones, 1991; Trevino, 1986; Zey-Ferrell and Ferrell, 1982; Beu and Buckley, 2001). Yet, these frameworks have not been able to guide the managers adequately owing to the complexity of issues. The issue-contingent model of Jones (1991) synthesized ideas and constructs from eight previous models as well as a new construct called moral intensity. In this paper, we have developed a simpler framework to explain the ethical decision-making and behaviour in organizations to guide the managers and future researchers. Based on the literature, special attention is given to the organization and the management implications of different factors in terms of applications in those ethical fronts.

In Figure 1, we propose that ethical decision-making and behaviour of individuals in the organization is influenced by various factors which can be classified into

Figure 1: Ethical Decision-making and Behaviour in Organizations: A Contingency Framework



three major headings namely: A) Intrinsic variables, B) Extrinsic variables, and C) Moral issue-related variables (moral intensity).

INDIVIDUAL ETHICAL DECISION-MAKING AND BEHAVIOUR

Ethical decisions and behaviour of managers are the ones that are both legally and morally acceptable to employees and other stakeholders. Though an ethical decision does not necessarily always lead to ethical behaviour, ethical behaviour is preceded by an ethical decision-making. The ethical decision-making is influenced by moral reasoning (Trevino, 1986) and intentions and stakes of decision-makers (Ajzen and Fishbein, 1977). Ajzen and Fishbein (1977) found that intentions are good predictors of behaviour in high involvement situations such as ethical dilemma.

Moral Intensity

Moral intensity is a characteristic of the moral issue itself. It is a major factor in influencing the ethical awareness, ethical decision-making, and behaviour of the employees (Jones, 1991). Every ethical issue can be represented in terms of its moral intensity – a construct that includes the following:

Magnitude of consequences: Magnitude of consequences of the moral issue is the sum of the harms (or benefits) done to the victims (or beneficiaries) of the moral act in question. Fritzsche and Becker (1983) argued that when moral dilemmas are faced, ethical behaviour is more likely to be prompted by serious consequences than by modest consequences.

Social consensus: Social consensus of the moral issue is the degree of social agreement that a proposed act is evil (or good). It signifies the social agreement over the individuals' behaviour as either appropriate or not. A high degree of social consensus reduces the ambiguity while making a choice thus leading to ethical decision-making.

Probability of effect: The probability of effect is a joint function of the probability that the unethical choices will get detected and will actually cause harm (benefit). In countries like India where legal process is complex and time-consuming, the probability of actual harm is significantly reduced in many situations. Consequently, violation of law has been frequent in organizations. However, heightened activity of social groups and media has increased the probability of harm due to unethical

choices in the recent past. Consequently, there is an increased concern about ethical choices in organizations. **Temporal immediacy:** Temporal immediacy is the length of time between the present and the onset of consequences of the moral act in question (shorter length of time implies greater immediacy). The increased competition and concern for performance have been driving managers towards short-term orientation. Consequently, managers may go for unethical choices if the positive outcomes of such decisions are significant and quick while the possible negative outcome could take a longer time.

Proximity: Proximity is the feeling of nearness (social, cultural, psychological or physical) that the moral agent has for the victims (beneficiaries) of the evil (beneficial) activities in question. Increased proximity enhances the concern for such people in the managerial decision-making. The concern for people in the organization and its stakeholders is found to be higher among managers who are more committed to their profession and the organization (Lee, 2002). The concern for ethical decision-making would thus require the human resource managers to find ways to get managers more committed.

Concentration of effect: The concentration of effect is an inverse function of the number of people affected by an act of a given magnitude. The issues that affect larger community get the social and other such groups activated. Hence, the managers may ignore the immediate returns in favour of ethics in their decision-making when the concentration of effects is high.

The above components of the moral issue are expected to have interactive effects. Moral intensity is expected to increase if there is an increase in any one (or more) of its components. The researchers have demonstrated that perceived moral intensity influences ethical perceptions and intentions (Harrington, 1997; Morris and McDonald, 1995; Singer, 1996; Singhapakdi, Vitell and Franke, 1999).

Intrinsic Factors

These are the factors that are part of the individual himself.

Moral awareness: Awareness about an ethical issue is a major step in the decision-making that leads to the ethical choices and behaviour. The Bounded Personal Ethics model suggests that people are influenced both by concern for ethics and self-interest. Lack of awareness of the ethical nature of their action can lead to self-

interested behaviour. Frequently, the consequences of decisions do have ethical implications which may not be immediately obvious. Under such conditions, managerial choices may be driven by considerations 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 the critical causal antecedent of ethical behaviour.

Hence, organizations could improve the concern for ethics by increasing moral awareness through interventions such as circulation of code of ethics. Seminars, talks, conferences, and other socialization techniques could enhance the moral awareness and thus the concern for ethics.

Individual values: Individual values strongly influence the choices of managers. They manifest themselves as interests and motives and thus determine one's behaviour. In an organization, problems arise when the individual values and the organization's ethics differ and contradict each other. The intensity of the problem can vary depending upon how strong the individual's values are and what the consequences of compliance or non-compliance of the organizational standards are. In most cases, individual values have greater influence on the decision-making than the organization's ethical standards. Hence, the improved concern for ethics in decision-making requires an alignment of individual values with organizational ethics. This could be achieved through an appropriate staffing and value-based selection system. Organizations are likely to have increasing concern for individual values in the recruitment and selection processes with increasing concern for ethics. Organizations may also be required to develop mechanisms to ensure adequate consequences of compliance and non-compliance of ethics in decision-making by managers.

The framework in Table 1 explains the possible consequences of the interaction between individual values and organizational ethics. It proposes that differences in the individual and the organizational value can result in various outcomes. Value conflict may arise when both individual and organizational values are very strong. There may also be strong identification of managers with the organization when strong individual values and high ethical standards of the organization are in alignment.

On the other hand, when both entities have weaker value system, the consequence will not be significant and there will be abundant interdependence between the

Table 1: Interactions between Individual Values and Organizational Ethics

Concern for Individual Values	Compliance to Organizational Ethics	
	Low	High
High	Self-interested behaviour	Value conflict/ Identification
Low	Indifference	

two. With the rising concern for ethics in the society, the human resource managers will have to worry about the alignment of individual values with organizational ethics.

Cognitive factors: Cognition significantly determines human behaviour. Research has extensively studied the impact of cognitive factors like cognitive moral development and perceived self-efficacy on ethical behaviour and ethical decision-making.

Cognitive moral development is one of the important factors in ethical decision-making (Wimbush, 1999). He conceptualized it as a way to describe and explain the ethical decision-making processes of individuals. According to him, individuals proceed sequentially through three levels of development—pre-conventional, conventional, and post-conventional or principled.

In the pre-conventional level of cognitive development, the individual's decisions are based purely on self-interest without taking others into consideration. At this level, the individuals often act in order to avoid punishment and, even if they take ethical decisions, they are due to enlightened self-interest rather than altruistic motives. At the conventional level, the individuals recognize the potential impact of their decisions on others and thus follow rules, procedures, and laws. In the post-conventional level, the individuals have high orientation towards morality, their moral behaviour being directed by internalized principles.

According to Wimbush (1999), the employees in the third level continue to take ethical decisions and act ethically independent of other influencing factors such as the organization's ethical climate and the reinforcements from the supervisors. Apart from being highly ethical in their decisions and behaviour, individuals at the third level of moral development may try to stop others from engaging in unethical conduct or resort to whistle-blowing if unethical actions occur (Trevino, 1986).

Self-efficacy, the other cognitive variable influencing ethical decision-making and behaviour, refers to confidence in one's coping ability across a wide range

of situations. Cognitive consistency theory suggests that ethical behaviour is more consistent with a self-perception of high worth.

Individual differences: The multiple-influence perspective suggests individual differences as one of the key factors in ethical decision-making and behaviour (Trevino, 1986). Research has shown that the locus of control influences ethical decision-making directly and indirectly through outcome expectancies (Blasi, 1980; Trevino and Youngblood, 1990). According to Dozier and Miceli (1985), the locus of control is directly related to moral behaviour, such as whistle-blowing.

Among individual differences, achievement orientation is an important variable in ethical decision-making and behaviour (Roozen, DePelsmacker and Bostyn, 2001). Employees with high ambition were significantly lower on their ethical profile than others (Roozen, DePelsmacker and Bostyn, 2001; Johnson, 1981). According to the Bounded Ethics Model, there is a possibility that ambitious or achievement-oriented individuals tend to focus more on their goals and thus can overlook the ethical aspects of their decisions. Similarly, managers with Type A personality are more likely to engage in unethical behaviour.

Type A personality managers are high on their achievement orientation. They get aggressively involved in a chronic, incessant struggle to achieve more in less time and, if required to do so, against opposing efforts of other things or other persons. Studies (Beu and Buckley, 2001) argue that college students scoring high on Type A behaviour are more likely to engage in unethical behaviour when a) they are given the opportunity to do so, and b) their expectations are not met by simply putting forth great effort. The aggression and hostility components of Type A personality were strong predictors of a propensity to engage in unethical behaviour. Similarly, Machiavellians are proved to be highly unethical (Hegarty and Sims, 1978, 1979).

Individual variables like gender, education level, work experience, and designation are related to ethical decision-making and behaviour. Most findings suggest that females are more predisposed to ethical situations than males (Weeks *et al.*, 1999; Singhapakdi, Vitell and Kraft, 1996). On the other hand, there are also contradictory findings suggesting no relationship between the two (Robin and Babin, 1997). Another research by Fritzsche and Becker (1983) found that the male marketing managers are less likely to pay a bribe than their

female counterparts. However, he found that men are more likely to ask for a bribe than women. Schminke (1997) reports that the male and female managers differ not on their underlying ethical models but in the manner in which they evaluate others. Earlier studies indicate that women enter the employment situation with more positive expectation of ethics than males (Schminke, 1997). Apart from being highly ethically-oriented, females are more willing than males to participate in whistle-blowing in their place of employment (Sims and Keenan, 1998).

Roozen, DePelsmacker and Bostyn (2001) found that the stage in the career of the employee is a significant explanatory factor of ethical decision-making. Employees who are young with relatively low income, limited work experience, and a low level of responsibility in the company are significantly more ethical than elderly employees with high work experience, income, and responsibility. This result is of special significance as most of the key strategic decisions are taken at higher levels. This finding stresses on the need to sensitize people in higher career stages about the implications of ethical decisions towards the long-term performance of organizations when compared to the short-term financial performance.

Extrinsic Factors

The major organizational variables identified in researches which play a major role in ethical decision-making and behaviour are organizational ethical climate, organizational group processes, the level of accountability among the employees, and performance management system. These organizational variables are highly inter-related and exert influence on each other.

Organizational ethical climate: This can be defined as the shared perceptions of what ethically correct behaviour is and how ethical issues should be handled. It is a mix of formal and informal policies of the organization and the individual ethical values of managers.

The ethical code of conduct of an organization and supervisory influence are among the important contributing factors to organizational ethical climate (Wotruba, Chonko and Loe, 2001; Wimbush, 1999; Wimbush and Shepard 1994; Cohen, 1993). Ethical climate is a powerful moderating variable for the various relationships between the ethics-related variables. Shared beliefs can impart both direct and indirect pressures in the form of reinforcements and role models among the employees.

According to Weaver, Trevino and Colhram (1999), formal corporate ethics programmes are very useful in creating a positive ethical climate in the organization and typically include some or all of the following elements:

- formal codes of ethics which articulate a firm's expectations regarding ethics
- ethics committees charged with developing ethics policies, evaluating company or employee actions, and/or investigating and adjudicating policy violations
- ethics communication systems providing a means for employees to report the abuses or obtain guidance
- ethics officers or ombudspersons charged with coordinating policies, providing ethics education, or investigating allegations
- ethics training programmes aimed at helping the employees to recognize and respond to the ethical issues
- disciplinary processes to address unethical behaviour.

Among the different factors of organizational ethical climate, codes of ethics contribute significantly towards institutionalizing ethics in organizations. They serve three major purposes in organizations, namely: a) demonstrating a concern for ethics by the organization, b) transmitting ethical values of the organization to its members, and c) impacting the ethical behaviour of those members (Wotruba, Chonko and Loe, 2001). Researches suggest that the employees must be familiar with the code's contents before it impacts their ethical awareness and behaviour (Dean 1992; Sims, 1991). They have also empirically proved that, among the managers, the perceived usefulness of the codes of ethics is positively related to the degree of familiarity with the code and perceived ethical climate is positively related to the code's perceived usefulness. These researches reveal the role of ethical code of conduct in establishing a positive ethical climate in organizations. Familiarizing ethical code of conduct among the employees would also help to create sufficient awareness of the ethical issues and, thus, minimize ambiguities in decision-making situations.

Organizational group processes: Supervisors muster a large amount of control over the subordinates' behaviour and well-being (Wimbush, 1999) especially in traditional organizations where the structure is very tall.

In bureaucratic and traditional organizations, because of the control supervisors wield over their subordinates and the respect subordinates may have for their supervisors, subordinates might look upon their supervisors as role models of acceptable behaviour. Consequently, group processes that involve the managers and their superiors influence the implementation of code of ethics and decision-making in organizations.

In some situations, supervisory influence is found to be highly effective than other organizational variables. Often, even in the presence of an ethics policy, subordinates do what their supervisors would like rather than adhere to the ethics policy. Wimbush (1999) argued that supervisors can play a major role in influencing the ethical behaviour of the employees who are in their first and second stages of cognitive moral development. For these individuals, their observations about the ethical climate of the work group and personal ethics of the supervisor are critical because they are still developing a sense of what is right and what is wrong. Similarly, when situations are ambiguous, these employees may engage in feedback-seeking behaviour (Wimbush, 1999). These findings underline the need to increase training on ethics for managers and subordinates, hold managers more accountable for ethical behaviour (Gupta and Sulaiman, 1996; Jones and Kavanagh, 1996), and increase socialization between superiors and subordinates.

Group processes that facilitate peers to share ethical concerns in decisions and allow transparency in information instigate ethical decision-making. The influence and monitoring of peers into the ethics of decision-making is found to be extremely effective. However, it requires significant effort to create such openness.

Accountability: According to Beu and Buckley (2001), accountability can be a significant factor contributing to ethical decision-making and behaviour. Accountability refers to defending or justifying one's conduct to an audience that has reward or sanction authority and where rewards and sanctions are perceived to be contingent upon audience evaluation of such conduct. According to them, one way to ensure that employees behave appropriately is for the organization to require that the employees be held accountable for their actions. In an accountability situation, an employee is in a social context and his/her behaviour is observed and evaluated by an audience and compared to some standard of expectation (Frink and Kimoski, 1998).

The level of accountability is found to be high in

social relationships that are strong and multiplex. Strong relationships are based on cooperation, trust, intimacy, empathy, reciprocity, and emotional intensity. Multiplex is the degree to which two actors are linked by greater than one type of relationships. Strong and multiplex relationships may outweigh organizational norms (Brass, Butterfield and Skaggs, 1998). So, the employee's positive relationship with the superior and his perceived accountability towards the supervisor can be a major control mechanism in the employee's ethical decision-making and behaviour. Thus, developing high quality relationships and increasing employee understanding of what others expect from them in terms of ethical behaviour should lead to internalization, compliance or conformity to expectations (Beu and Buckley, 2001).

Performance management system: Performance management system that is output-oriented instigates short-term orientation among managers. Their concern for annual or half-yearly performance owing to its strong linkage with financial and other rewards prompts managers to ignore ethical concerns for achieving output whenever such dilemma is encountered. While managers experience the consequences of output immediately, the consequences of lack of ethics in decision-making are both uncertain and delayed. Hence, the balance between processes, output, and ethical concerns in performance management system is likely to lead to ethical decision-making in organizations.

Overall organizational outcomes: The expectations of a socially responsible behaviour and ethical business practices for organizations have been consistently increasing over the last decade. Such behaviour is in fact necessary for long-term sustainability. Though ethical practices may not lead to immediate and tangible results, in the long-run, they help to sustain society's goodwill and thus maintain a positive image among its consumers. Organizations will have to restructure themselves, their processes, and socialization mechanism to incorporate ethics in decision-making.

METHODOLOGY

The study of ethics in the context of an organization is a complex phenomenon where multiple subjective realities co-exist. Such an ontological context suggests the adoption of qualitative research. Further, epistemologically, researchers need to observe the phenomenon to understand the dynamics of behaviour of managers in

organizations suggesting the adoption of qualitative research route through the case method (Eisenhardt, 1989).

The resultant theory through such case research provides novelty and testability (Eisenhardt, 1989). However, qualitative research through the case method possesses many challenges for theory building. The foremost of them are the validity of data and filtering out the bias of the researcher (Maheshwari and Ahlstrom, 2004). These challenges could be overcome by collection and interpretation of data through multiple sources. In the study, eight in-depth unstructured interviews were conducted with the CEO, the ethics counsellor, and other senior managers of Tata Steel. Based on the case study and the review of the literature, we developed nine propositions which were discussed in two focused group discussions. These discussions were helpful in validating and sharpening the propositions.

Implementation of the Tata Code of Conduct at Tata Steel

Nearly a century old, Tata Iron and Steel Company Ltd. (TISCO), more popularly known as Tata Steel, is one of India's oldest companies. Established in 1907 by Mr. Jamsetji Tata — a visionary — it is Asia's first and India's largest integrated private sector steel company. Since its inception, the company has focused on the customer, operational excellence, employee welfare, organizational leadership, and social responsibilities and citizenship. Consistent with its thrust on these dimensions, the company is one of the most respected companies in the country for its value-based practices, ethical and dynamic practices, and competitive performance. The name 'Tata' has always been synonymous with trust. The statement of purpose of the Tata group (Tata Steel belongs to this group) explicitly seeks to improve the quality of life in the communities it serves. It says, "Our heritage of returning to society what we earn evokes trust among consumers, employees, shareholders, and the community. This heritage will be continuously enriched by formalizing the high standards of behaviour expected from employees and companies."

The values and principles that had governed the company (and Tata group) were articulated for the first time in 1998. It was in this year that the company formally published its 'code of conduct.' This document was aimed to guide each employee on the values, ethics, and business principles expected of them (Annexure).

Among other things, the implementation of the Tata code of conduct was mandatory for the relatively autonomous group companies to leverage on 'Tata' as a brand. The successful implementation of this code of conduct was not a matter of choice for Tata Steel. One of the senior managers of the company stated:

Deciding to implement the Tata code of conduct was easy for us. We had always believed in ethical practices. However, we had to ensure that every one of more than 50,000 employees practised the code.

To implement the code of conduct, the company created a new position of 'ethics counsellor' at the senior management level. He was internally identified and made to report to the Managing Director of the company for the day-to-day functioning. However, he directly reported to the group headquarters. In his own words:

The company management encourages me to interact directly with the group headquarters. On my part, I discuss most of the issues with the MD to facilitate better voluntary implementation of the code of conduct by the employees.

In every department, one person was identified by the head of the department to additionally look after the implementation of the code of conduct in the department. These ethics coordinators reported to the ethics counsellor directly on matters related to ethics. However, for other purposes, they continued to report to the heads of their respective departments. The ethics coordinators in consultation with the ethics counsellor organized a large number of awareness programmes every year. Such programmes were extended to the other stakeholders like suppliers and dealers of the company.

Having succeeded in creating awareness among the employees, the ethics counsellor organized nearly 15 awareness programmes for the families of the executives. The family members were made to feel proud that one of them was part of a 'value-based' organization. The ethics counsellor stated:

We realized that it was not adequate to create awareness among the employees alone. Frequently, executives succumb to the temptation of accepting favours owing to the unreasonable expectations of the family members. Further, we also realized that if the families of the employees

could take pride in the honesty of Tata Steel employees, they would encourage the employees to follow the code of conduct in letter and spirit. Formal control systems to uphold the code of conduct do not work owing to a lack of direct monitoring mechanisms.

The workshops for the families were primarily restricted to the senior management levels. The ethics counsellor stated that implementation of the code was more critical for this group of employees. "Owing to larger responsibilities, they experience more temptations for violation of the code," he explained.

Having organized the workshops, the company looked into the possibility of integrating ethics in the performance management system. Every month, one ethics coordinator was rewarded on the basis of quality of work. The employees and other stakeholders were rewarded whenever they demonstrated unique behaviour of high moral value. However, the company decided not to make it a part of performance appraisal system as the management felt that following the code was not a matter of discretion. Any proven violation of the code was viewed seriously. In fact, one of the employees was dismissed from the company for violation of the code of conduct. The news was widely publicized though the name of the employee was not revealed.

The outcome of these efforts was found to be encouraging. One of the executives stated, "I received an honorarium of Rs. 2,000 for delivering a lecture in one of the prestigious management institutes. I proactively asked the ethics counsellor whether I could accept such payment. I did not want to violate the code of conduct even by mistake. I strongly believe in the ethics of the company."

The executives were extremely happy when they realized the advantage of the code of conduct in maintaining their relationships with external stakeholders. The managers found it difficult to interact with government officials without arranging for any favours in the early days after implementing the code of conduct. However, the executives continued to insist on the directives of the top management and the principles of the code of conduct. Slowly, the officials realized that the company would continue to follow the code honestly. They stopped seeking gratifications from the company. One of the managers summarized the issue in the following words:

We are willing to provide any information required to the officials. We are also willing to wait for clearances and certificates from the government officials. However, we cannot grant any favours to them. Now, these officials respect us for our values and ethics. They treat us differently. I now feel better and more comfortable while interacting with external agencies.

During our interaction with the managers, we observed that the employees took pride in their association with a company that believed in the code of conduct. This sense of pride enhances the commitment of employees (Bhat and Maheshwari, 2004) which, in turn, influences the performance of the company. Even interviews with the retired employees reflected a high respect for the company. Such behaviour of the employees enhances the image of an organization, adds to the positive response of external stakeholders towards the organization, and reduces the transactional cost.

FINDINGS

The early phase of the implementation of the code was focused upon enhancing the moral intensity by developing social consensus as issues were also discussed among the family members, suppliers, and dealers. The magnitude of the consequences of the violation of the code of conduct was made severe. It shows that increase in moral intensity increases the concern for ethics in decision-making in organizations.

During the study, we did not observe the impact of achievement orientation of managers on their ethical behaviour in decision-making. Similarly, we did not observe incidences to differentiate the concern for ethics at different levels of the organization.

The case of Tata Steel indicates that socialization is likely to improve ethical decision-making in organizations. The organization will benefit significantly by organizing activities to facilitate the socialization of managers. The implementation of ethics in organizations would essentially mean that the companies would have to organize many socialization events.

Supervisors at different levels played an important role in the implementation of the code. They facilitated the autonomous working of the ethics coordinators in their departments. These coordinators were suitably recognized and rewarded for their efforts. Further, supervisors themselves were extremely conscious of the

code. They ensured that none of their decisions violated the code.

The framework suggested in the paper integrates the variables that were found to be important in the case. It provides levers to managers for managing ethics in decision-making in organizations. Thus, this framework can have significant implications in both business and academic arenas.

By identifying the significance of supervisory influence and accountability on ethical behaviour and decision-making, the framework insists on the need for a high level of commitment among the top-level executives towards organizational ethics. By creating such higher commitment, it is very easy to surge the ethical orientation among the lower level employees. Such commitment and orientation towards ethics should be continuously reinforced using training programmes. Appropriate structures and systems facilitate ethical decision-making and behaviour in organizations.

Human resource management systems such as training to indoctrinate the organizational values and belief, recruitment, and performance management need to be aligned to facilitate ethics in decision-making in organizations. Honesty and other values could be tested in personnel selection. The understanding of personality and other causal factors of ethics make it important for managers to adopt suitable selection processes.

The present study highlights the interactive effect of different variables on ethical decision-making and behaviour and, thus, insists on a holistic approach to understand them better. Therefore, interactive and moderating effects of different variables on ethical decision-making and behaviour should be accorded priority. Especially organizational variables like accountability, ethical climate, supervisor and peer influence, and organizational code of conduct are highly inter-related to each other, and should be prioritized accordingly for a better understanding of their effect on ethical decision-making and behaviour.

During the case study, we could not examine a few variables. Yet, we developed some propositions based on the case and the literature integrating those variables (Box).

IMPLICATIONS FOR MANAGERS AND RESEARCHERS

This study suggests that managers will have to focus on issues related to leadership, structure, and code of

conduct while adopting ethical practices. The leadership at different levels of the organization will have to display a strong commitment to ethics through communication, reward and punishment, and adoption of a role model stature.

Structurally, organizations would require integrating ethics with the existing activities of the managers at different levels. The people associated with the implementation of ethical practices will have to be protected from possible risks by developing alternate reporting mechanisms for ethical issues. Hence, the existing reporting relationship will alter for ethics-related decisions. Further, intense socialization will be required at different levels to indoctrinate organizational values and ethical practices. The socialization that leads to a voluntary adoption of practices is likely to lead to better implementation of ethical practices.

The guidelines regarding ethical practices should be documented and widely circulated among all the stakeholders including the family members of senior managers. The efforts that lead to a sense of pride in adopting ethical practices among the family members is likely to deliver better results.

The propositions in this paper are tentative. They need to be confirmed with further studies. The suggested framework should guide future research to extend the notion of ethics from 'concept' to 'practice.' Longitudinal

Box: Propositions Based on Case Findings and Relevant Literature

P1: Increase in moral intensity is likely to increase the concern for ethics in organizations.

P2: Concern for ethics is likely to increase with the increase in moral awareness.

P3: Socialization in organization is likely to improve ethical decision-making in organizations.

P4: Accountability is likely to be positively related to ethical decision-making and behaviour among managers.

The following propositions based on earlier literature require further research as this study could not validate them:

P5: Employees with higher organizational responsibilities tend to be more unethical in their decisions than employees with lower responsibilities.

P6: Individuals with high self-efficacy are likely to adopt more ethical choices in their decision-making.

P7: High achievement orientation of managers is likely to lead to lack of ethics in decision-making by managers.

P8: Output-oriented performance management systems are likely to lead to lack of ethical concerns in decision-making in organizations.

P9: Thrust on processes rather than on output in performance management system is likely to lead to ethical decision-making in organizations.

studies with large sample size are likely to be helpful in this regard. ❖

Annexure: Tata Code of Conduct—Issues Covered

- National interest
- Financial reporting and records
- Competition (support for open market economy)
- Equal-opportunities employer
- Gifts and donations (employees shall neither receive nor offer or make, directly or indirectly, any illegal payments, remuneration, gifts, donations or comparable benefits which are intended to or perceived to obtain business or uncompetitive favours for the conduct of its business)
- Government agencies (Not to offer or give any company funds or property as donation to any government agencies or their representatives....)
- Political non-alignment
- Health, safety, and environment
- Quality of products and services
- Corporate citizenship (compliance of all relevant laws...and actively assisting in the improvement of the quality of life.)
- Cooperation of Tata companies
- Public representation of the company and the group
- Third party representation
- Use of the Tata brand
- Group policies
- Shareholders
- Ethical conduct
- Regulatory compliance
- Concurrent employment
- Conflict of interest
- Securities transactions and confidential information
- Protecting company assets
- Citizenship
- Integrity of data furnished
- Reporting concerns

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If you have an apple and I have an apple and we exchange these apples then you and I will still each have one apple. But if you have an idea and I have an idea and we exchange these ideas, then each of us will have two ideas.

George Bernard Shaw