

**CORPORATE ETHICS AND CORPORATE JUSTICE**

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Corporate Ethics is an important concept that covers the functioning of the corporates throughout the corporation's structure. In other words, corporate ethics encompasses not merely the aspects of Corporate Governance from the Board of Directors but also all activities that the Corporation undertakes in its daily routine. It is vital to understand the importance of ethics in corporations right from the first activity of the incorporation of the structure of the company and its registration with the competent authority to the aspects of the recruitment, manufacturing, marketing, profit-making and distribution, and various other sundry activities that go with the functioning of the corporation in general. It is the responsibility of the founding members of the Corporation to make maximum scope for implementation of all aspects of corporate ethics as part of the doctrine of mission and vision of the corporation.

Corporate justice, ethics, and corporate governance are important elements of practices in the business for sustainability and responsibility. Seemingly dissimilar, both the concepts of specific and lay emphasis on specific aspects for making the corporation an effective responsible, and sustainable organisation.

**Ethics in Corporations:**

Ethics are more important than morality. In the normal sense, ethics refers to the guiding principles as well as values of good behaviour of all those who operate in the organisations or in the institutions. Integrity is the key factor that gates the behavioural conditions in any situation for upholding the values of morality and ethics in such decision-making. Corporate ethics is important in all the transactions that the corporations are involved on a day-to-day basis. The prominent parts of corporate ethics are as follows.

**1.Upholding the tenets of law and respect for the law:** The law becomes the most important concept that guides the relations among different parts of the corporations and individuals performing their predetermined roles in such organisations within the corporation. Without such legal guidance, discretion bordering on anarchy may derail the entire prosecution-making within the corporation. Hence, it is in the interest of better functioning of the corporation itself that the principles of functioning according to the rule of law and the principles established by law are of paramount importance.

**2. Respect for values of competition and fair play:** Fair play is fairness in action in corporate decision-making. Appropriate respect for the interest of all the stakeholders which among others include vendors, suppliers, consumers, customers, and employees of the corporation.

**3. Honesty and integrity:** Even though honesty and integrity are different in connotations, they both are important in the transactions conducting the activities of the corporation. The enforcement of the above-mentioned values does not require the intervention of external law enforcement agencies. The culture of the corporation is of paramount importance in upholding the above-mentioned values.

**4. Transparency and openness:** Dissemination of vital Information to all Stakeholders at the right time is essential for the legitimacy of the corporation. Information is power. Information as power needs to be used in the most responsible manner so that no one can raise any objection to the authenticity of that information. Transparency becomes essential for correct decision-making because the belief and faith in the value of transparency only legitimises actions that are derived from the information that is passed through such transparent means. Ends and means are connected and transparency is the connection.

**5. Functional responsibility and accountability:** Responsibility for owning up to the consequences of the actions and the decisions that are taken in the process of the running of the corporations by all the employees are different levels is part of the best human resources systems. Corporations must always hold their employees accountable for their actions and functions.

**6. Corporate Social Responsibility (CSR):** No corporation works in isolation and hence stakeholder welfare resumes maximum importance through the concept of corporate social responsibility. Ecological balance and giving back to society through dedication according to one's capacity is not charity but responsibility. Without CSR, corporations cannot sustain their actions with legitimacy and authenticity. The best self-protection is obtained through benchmarking the practices of CSR for any corporation.

**7. Voluntary compliance of the rules meant for employee welfare and stakeholder welfare:** The performance of any organisation/corporation is not merely in the numbers on a quarter-to-quarter basis but also in the feeling of self-fulfilment of all stakeholders working for and within such a corporation. While rules and regulations like the labour codes are clear and mandatory, there are many rules and regulations, like for instance, maintenance of hygiene on the shop floor, etc, which cannot always be enforced through daily routine inspection. Self-compliance and self-regulatory codes are of great importance for a sustainable corporation in any environment of stakeholder validity.

## **CORPORATE JUSTICE:**

Justice as fairness is important in the socio-economic and political arena of human interaction. Corporate justice travels beyond behaviour at the individual level and less emphasis on equity, equality, and fairness within the entire body of the corporate functioning and structure. It covers ethical aspects and legal issues in interactions with the consumers, the stakeholders, the employees, and society at large. The vital aspects of corporate justice are as follows.

1. Fair treatment to the consumers/customers.
2. Justice to ecology and environment surrounding the corporation's functioning.
3. Compliance with all legal aspects pertaining to corporate functioning.
4. Enforcement of rights of all employees.
5. Impartial enforcement of the doctrine of equality among all stakeholders of the corporation.

The main purpose of having corporate justice of the concept covering all aspects of corporate functioning is to promote a suitable corporate culture that respects the values of social and participative justice, fairness in action and in relationships, enforcement of the principles of equality within and without the corporation functioning, and also compassion among all stakeholders of the corporation.

## **Examples of Ethical Corporations:**

It is important to mention a few examples of ethical corporations to understand the common principles that make ordinary corporations known as ethical corporations. Studying such cases will make other corporations adopt principles that are vital in making corporations sustainably ethical. The following are examples of ethical corporations in the USA. They are as follows

### **1. Patagonia:**

Patagonia is a corporation that belongs to the Sector of outdoor apparel and equipment manufacturing industries. It is known for its standard commitment to the values of environmental protection and ecological sustainability. It does not encourage child labour nor does it use any animal product and it practices that are in favour of fair treatment to even workers temporarily working in developing countries. The corporation keenly adopts procedures for a clean environment and to reduce global warming. As part of its Corporate Social Responsibility, the corporation spends a substantial amount of its profits on promoting the causes of ecological balance in the world.

### **2. Ben and Jerry's:**

Ben & Jerry's is a corporation that focuses on manufacturing ice cream and frozen desserts Sector of the industry of FMCG (Fast Moving Consumer Goods). Known for promoting "Linked Prosperity", as a business model, this corporation focuses on creating beneficial and constructive effects in the interest of all stakeholders. The corporation takes its raw materials from such suppliers known ethical trade practices. The corporation goes beyond lip service and actively supports the local unemployed sections of the community and works actively for issues related to social justice among the local and neighbourhood communities.

### **3. Salesforce:**

Salesforce belongs to the Sector of cloud-based software industries. Apart from mandatory commitment to Corporate Social Responsibility issues, this corporation goes much beyond the legal commitment and makes the CSR work its signatory work. The dedication of this corporation towards sustainability of the environment, issues of equality, and promotion of philosophy are appreciated by the communities in the neighbourhood. Employee welfare is not a mere slogan and Salesforce goes beyond training and organizes forced development programs and talent enhancement programs among the employees working for this corporation.

### **4. Microsoft:**

This corporation, Microsoft, belongs to the Sector of technology and is a world-class leader in its field. Microsoft established the best possible medical practices among all its branches across the world and also emerged as a benchmarking corporation within the Sector of technology-related manufacturing and software industry. The corporation is known for its uncompromising commitment to the values of freedom, corporate security and accessibility. This corporation is committed to becoming a carbon-negative corporation by the year 2030 and is a regular contributor of its profit percentage towards CSR initiatives across the world.

### **5. Unilever Corporation:**

Unilever Corporation belongs to the consumer goods industry. Unilever is the leader in the FMCG Sector in the world. It promotes the business strategy of the Sustainable Living Plan. Being a Multinational Company in the world, its various branches have unique initiatives in promoting environmental-related initiatives across the world. For example, Hindustan Unilever Ltd is known for promoting the cause of women's employment in India. Unilever is committed to promoting the well-being and health of more than 1 billion people and improving their income through sustainable living standard promotion. It clings the environmental protection and livelihood promotion as a value chain.

### **Examples of Unethical Corporations:**

Subjective opinions can vary in deciding the unethicity of any corporation. However, the conviction by a competent court of law in litigation related to immorality, fraud, and unethical behaviour is taken as the background in mentioning the following examples of unethical corporations in the USA.

## **1. Enron:**

Enron belongs to the Sector of energy and at one point in time was the biggest corporation in that Sector in the world. Known for its biggest fraud in this century in the history of corporations, Enron was prosecuted and many of its officials were incarcerated. Fraudulent misinformation about the performance of the company by manipulated accounting practices, Enron cooked up its books to hoodwink the regulators as well as the gullible investing public. Enron filed for bankruptcy, the biggest in the history of the world, in the year 2001.

## **2. Volkswagen:**

Volkswagen belonged to the automotive Sector of the industries and was one of the biggest in the USA. Sustained investigation and integration compared was wagon to admit installation of fraudulent software in the vehicle system so that the emission tests would always result in positive feedback and thus increase the sales. This fraudulent practice with exposed after testing the vehicles when they were found to be contributing to higher levels of pollution. The investigation and the subsequent prosecution resulted in a living of hues amount of fine on Volkswagen which resulted in denting the reputation of the corporation.

## **3. Wells Fargo:**

Wells Fargo belonged to the banking Sector of corporations. In the year 2016, Wells Fargo was investigated for scandalous behaviour when the facts came through a whistleblower that Wells Fargo compared its employees in opening millions of unauthorised bank accounts and credit card accounts of its customers to meet some extravagant targets of sales promotion. The subsequent investigation proved the unethical behaviour and the organisation was compelled to pay a huge amount of fine. Wells Fargo subsequently suffered an ill reputation.

## **4. R.J. Reynolds, Philip Morris:**

the above two companies belong to the tobacco Sector of the industry. United Nations organisation and global health institutions already indicated that tobacco consumption leads to cancer. Profiteering compared the two industries mentioned above in concealing the risks associated with tobacco consumption and they continued with aggressive advisement. Subsequent litigation resulted in the living of heavy fines for both industries due to lobbying from public healthcare related voluntary organisations.

## **5. Purdue Pharma:**

Purdue Pharma belongs to the pharmaceutical sector of industry. It is known for making the infamous OxyContin. This product contributed to the opioid crisis in the United States and ultimately it led to litigation resulting in the bankruptcy of Purdue Pharma. The increasing use of painkillers produced by Purdue Pharma resulted in the addictive behaviour of consumers because of the opioid nature of pharmaceutical manufacturing.

The above ten examples of both ethical and non-medical corporations indicate that ethical/non-ethical behaviour is a subjective choice of the individual corporation and is impactful in the sustainability and reputation of the corporation. For important aspects are to be kept in mind, namely, the probability of litigation, the extreme degree of punitive regulatory intervention, the possibility of bankruptcy, and ultimately the possibility of incarceration of the Chief officials of the company/corporation. The concept of corporate justice comes in handy in controlling unethical behaviour and in promoting the sustainability in ethical line of legal compliance.

## **Methods of ENFORCING CORPORATE ETHICS:**

Ethical behaviour is an independent choice among corporations and is not a luxury, especially in the days of stakeholder commitment. While there are many methods adopted by various corporations in the entire world, the following are the time-tested strategies. They are as follows.

### **1. Establishment of strict codes of conduct for corporations:**

Clarity should be inbuilt while making the code of conduct for ethical behaviour among all the employees of the corporation. The code should be simple, straightforward, and enforceable. The code is a basic guideline for ethical behaviour and must deal with oft-repeated issues of conflict of interest, corruption, possible enticement of bribery, and fearfulness of whistle-blowing activities.

### **2. Constant emphasis in training and education for ethical values among employees:**

Promotion of awareness and exemplary rewards for ethical behaviour would encourage all employees to follow ethical practices. Training should not be confined to only theory but should cover practical aspects. Case study methods and sport training is more useful than mere classroom discussions. Education for quality should cover issues involving the values of corporations, rules and regulations through legal compliance, and a framework for correct decision making in controlling corruption and avoiding bribery. Numerical mentioning of the possible ethical dilemmas is one way of preventing the repetition of the same. The constant reminder from the desk of the Chief Executive Officer to all the employees is an effective method of conveying to the employees that the

emphasis on ethics is not a nonserious activity or hoodwinking measure for convincing the enforcers of the law.

**3. Protection measures for whistleblower activity:** Provision of an environment of physical safety for any whistleblower when whistleblowing activity is witnessed. When whistleblowing activity is taken cognizance of, the provision of physical protection is of paramount importance. Tolerance of even frivolous whistleblowing activity is an essential part of ethical behaviour for every frivolous whistleblowing activity there may be a genuine whistleblowing activity elsewhere. Protection is essential for the morale of the whistleblower so that the whistleblowing will be fearless and the acts of retaliation by the corrupt elements are neutralized well in advance.

#### **4. Fast systems of reporting of unethical behaviour/incidents:**

accessibility of the higher positions of decision-making for punitive action in case of reporting unethical behaviour/events is essential for ensuring timely response and intervention by the competent authorities. Both the aspects of accessibility and response are symbiotically synchronised and none of them work in isolation in the absence of the other. It would be the prudent responsibility of the Chief Executive Officer of the corporation to establish these fast lines of communication and a similar fast line of response for optimal intervention and prevention of the spirit of the cancerous disease of unethical practices.

#### **5. Commitment of the top leadership:**

Casualness Leads to Casualty. The commitment of the leadership to ethical values is the correct signal for the overwhelming complaints of all the employees towards the code of conduct in enforcing the ethical issues throughout the corporation. The top leaders must not only be ethical but must be seen to be ethical. An ethical top leader only can enforce ethicality in the organisation/corporation. Establishing ethical behaviour as part of the corporate culture is the prime responsibility of the Chief Executive Officer.

#### **6. Incentivisation and appropriate appraisal of performance reports:**

Ethical Behaviour should not be left to the voluntary choice/extracurricular activity of the employee. Proper mapping of ethical behaviour and compliance record through mentioning the same in the annual appraisal report and rewarding extraordinary employees not only encourages and reinforces such behaviour on the part of a particular employee but can emerge as a model for others to follow. Proper publicity and championing the cause of ethical performance on the part of employees would generate a positive and reinforcing culture among all stakeholders and not merely the employees.

#### **7. Establishment of independent supervising initiation for ethics enforcement:**



It is always desirable to have an independent supervisory body for ethics for the print purposes of firstly, prevention of bias and secondly establishment of authenticity/legitimacy. Retired public superannuated employees should never be part of such independent committees and instead, external experts and reputed or ethicists can give guidance and leadership to such independent ethics supervisory committees.

**8. Voluntary compliance to all the rules and regulations established by enforcing and legal authorities:**

Compliance with legal provisions is within the interest of all corporations and employees must be encouraged towards complaints of legal systems and the rules and the Galatians established publicised by enforcing authorities. The legal consequences of non-compliance should also be publicised enough to discourage a casual approach toward the provisions of the law.

**9. Promotion of participation of all stakeholders for ethical behaviour of the corporation and within the corporation:**

Stakeholders mean customers, society, employees, suppliers, and government agencies. Encouraging stakeholder participation in ethical behaviour is in the interest of the corporation as well as in the interest of the welfare of the stakeholders. Integration of ethical values through the participative decision-making processes of a stakeholder approach is a vital guarantee of the sustainability of the corporation.

The above discussion brings out that ethical behaviour cannot be left as a voluntary/casual/extracurricular activity of the employees of the corporation. Corporate justice and corporate ethical behaviour are interlinked. Both of them are mutually reinforcing each other. Optimal Corporate Governance Systems ensure the compliance of ethical expectations as well as the omnipresence of CORPORATE JUSTICE. Sustainability and satisfaction of the customers of the corporation are the consequent value additions to the corporation.

**ABSTRACT:**

Corporate Ethics is vital for the sustainability of corporations and plays an important role in maintaining favourable conditions for the prevalence of corporate justice across the structure and function of the corporations. Corporate Justice and Corporate Ethics are complementary to each other. A well-functioning organisation within a corporation requires adequate inputs to handle all challenges that crop up from the competition, legal compliance, and directions from enforcement agencies. Studying ethical corporations and non-ethical corporations is relevant for the basic design of the charter of ethical codes within the corporation. Emphasis on ethical code as part of the organisational culture of the corporation is the starting point of the prevalence of corporate justice within the organisation/corporation. Sustainability and stakeholder happiness are the two main consequences of Corporate Ethics and Corporate Justice within corporations.



**Keywords:**

Corporate Ethics, Corporate Justice, sustainability, stakeholder happiness, ethical corporations.