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# Identification of Unethical Issues at Workplace – Literature Review and Relevant Issues

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**Abstract**

There is a progressive body of literature has been developed on business ethics and its importance and impact on ethical beliefs and behavior of managers and students as listed below by the researcher. Whereas this article majorly brings in the literature reviews related to unethical issues that have been placed in different areas of business organizations. Basic coverage on identification of unethical issues discussed in several renowned articles and covers articles from both national and international journal analyzing original work, peer-reviewed, and empirical research in business and management.

**Keywords:** Unethical Issues, Business Ethics, Corporate Fraud, Unethical Behavior

## 1. Review of Literature

### 1.1. Identification of Unethical Issues

Vitell and Festervand's (1987) survey revealed that gift giving and kickbacks caused the greatest ethical challenges and unfair pricing, bribes, gratuities, gifts, and cheating were also problematic.

Hunter and Richard (1998) solicited volunteers from a large organization. Each was asked to identify business issues in a case study that had ethical issues included along with numerous distracters. Two hundred and ten usable responses were received. The average number of ethical issues identified was 5.12 out of 7, with a standard deviation of 1.60.

- Using t-test no significant difference in total scores was identified for gender or education level.
- Managers did score significantly higher than non-managers.

- An ANOVA showed no significance between gender and identification of caring or justice issues.
- A significant and positive but low correlation exists between age and total score.

In this study 71% of the participants identified five or more of the ethical issues and 29% identified four or less.

Management Today (2000 in Nair 2009) survey strived to reveal the respondents views on what do the different surveys say about the misdeeds?

Here is a sample that respondents admitted to:

- Cut corners on quality control (16%);
- Covered up incidents (14%);
- Abused or lied about sick days (11%);
- Lied to or deceived customers (9%);
- Put inappropriate pressure on others (7%);
- Falsified numbers or reports (6%);
- Lied to or deceived superiors on serious matters (5%);
- Withheld important information (5%);
- Misused or stole company property (4%);
- Took credit for someone's work or idea (4%); and
- Engaged in copyright or software infringement (3%).

Cheating, for instance, is common occurrence in education.  A range of studies shows that anywhere from 75% to 98% of students admit to having cheated in high school.

Jhansi Rani & Krishna Prasad (2016)), in his article the author cited on 'From Good Bankers to Bad Bankers – Ineffective Supervision and Management Deterioration as Major Elements in Banking Crisis' and discussed these below given points. Universally acceptable regulations are to be pursuing by banks with a deep sense of commitment. In the prevailing market where Multi-National Corporations (MNCs) and multinational enterprises (MNEs) are looking more viable options, are on the lookout for doing business in markets with less stringent rules, the need for global acceptance of ethical practice is armed more crucial. Developing a regulatory frame work in markets less conducive to filthy lucre aspirations can be very challenging.

Mismanagement could be technical, cosmetic, desperate, and fraud. Technical mismanagement leads to losses and eventually ends up in other forms of mismanagement. Over extension of loans, lack of control and planning, lack of a sense of judgment when it comes to lending often are a consequence of inadequate policies, and reckless practices. Sometimes loans are lent to firms where the bankers have a stake. In such case, invariably the amount lent is disproportionate to the size of the firm or turnover. In other extreme cases, huge capitals are invested in a sing borrower.

Bankers with ulterior motto often indulge in such lending and extension of loans.

KPMG Survey (2002) stressed that Indian executives seem to be getting their hands dirty in all kinds of murky activities, with 50% of Indian companies experiencing corporate fraud.

- Manipulation of expense accounts is the number one fraud as far as rupee losses of Indian corporate are concerned. Around 37% of the respondents in KPMG's Fraud Survey 2002 felt that fudging in expense accounts is the commonest executive fraud.
- Secret commissions and kickbacks are close to second in the list of corporate black deeds, with 30% of survey respondents reporting it.
- Forged documents come in next.

Misappropriation/diversion of funds also figures in a big way in India Inc.'s corporate frauds list.

ET survey (2003) disclosed that the retail sector is the most prone to frauds, with 83% respondents of this sector saying they have experienced corporate fraud. Surprisingly, the very employee-friendly IT industry came in second on the corporate frauds stake, with 67% experiencing it. Consumer products come next followed by construction and engineering.

However, when it comes to corporate espionage, or leakage of sensitive information to business rivals, the ICE (information, communication, and entertainment) sector takes a walk on the wild side ahead of others, with 84% respondents saying they have been victims of corporate espionage. "These sectors have a competitive edge which lies in their intangible assets such as database, knowledge pool, and proprietary information, all of which are susceptible to espionage activities", says Mr. Sanwalka. Financial service comes next with 81% respondents saying they are espionage-hit.

The survey adds that although 75% of the respondents believe their organizations could become corporate espionage victims, more than half of them do not have adequate counter-espionage measures and protocols in place. The survey also points out that the consumer and industrial markets sector faces the highest number of occurrences of ethical violations at the work place. The most common sources of ethical violation are conflict of interest, supplier relationships, and misuse of company assets.

The ET survey drew up a profile of a typical fraudster. Your typical fraudster will most likely be a male, between 26 and 40-years-old, earns an income between Rs. 24 lakh per annum and would be employed in the company for less than two years. However, the study notes that the percentage of female fraudsters has shown a steady rise and has been around 10% over the last three years.

US News and World Report (2003) made a survey which had showed some ethically alarming results of college students.

- 90% believe cheaters never pay the price;
- 90% say when they see someone cheating, they don't turn the person in;
- 84% believe they need to be unethical to get ahead in the world today; and
- 63% say it is fair for parents to help with their kids' homework.

It's not surprising that organizations have difficulty upholding high ethical standards when their future employees-the, students-so readily accept unethical behavior.

KPMG Forensic (2006) sent a fraud survey questionnaire to over 1000 organizations across India, which included some of the largest private sector companies, government agencies, and other organizations. The survey results indicated that unlike the previous survey (2002) findings where the fraud risk was perceived to be the highest in the retail sector, now the fraud risk threat is perceived to be highest for the financial sector followed by the information, communication, and entertainment sector.

Velasquez (2007), in his book of 'Business Ethics – Concepts and Cases' highlighted the business ethics as a study of moral standards and how these apply to the social systems and organizations through which modern societies produce and distribute goods and services and to the behaviors of the people who work within these organization. The author discussed that the business ethics is not only included the analysis of moral norms and moral values but also attempts to apply the conclusions of this analysis to that assortment of institutions, organizations, activities, and pursuits that one call business.

The author stressed that business ethics investigates and suggests three different issues include:

1. Systematic issues in business ethics are ethical questions raised about the economic, political, and legal and other social systems or institutions within which businesses operate. These include question about the morality of capitalism or of the laws, regulations, industrial structures, and social practices within which country's business operates.
2. Corporate issues in business ethics are ethical questions raised about a particular organization. These include questions about the morality of the activities, policies, practices, or organizational structure of an individual company taken as a whole.
3. Individual issues in business ethics are ethical questions raised about a particular individual or particular individuals within a company and their behaviors and decisions. These include questions about the morality of the decisions, actions, or character of an individual.

The author revealed that these are helpful when analyzing the ethical issues raised by a particular decision or case to sort out the issues in terms of whether they are systematic, corporate, or individual issues.

Greycourt White Paper (2008), in this paper made an attempt to analyze "The Financial Crisis and Collapse of Ethical Behavior." The article discussed that, the root cause of the financial crisis was the loss of trust which was propelled by the unethical behavior of the financial industry. The reason why the financial industry eventually collapsed was the greed to make a fast buck. Banks totally took the customers' deposits for granted and invested them in long-term mortgages.

The article quoted the major points like when the banks took the customers' for granted the customers' retaliated by losing their trust in the industry. Loss of trust followed abandonment. Ethics in business are not alienated from ethical aspects of life. In fact, sometimes they are a reflection of our life. Large scale investments can be subject to market process and market forces reflect public opinion.

Although hedge funds are not a matter of concern for customers, most banks which dealt in hedge funds had clients. The clients of these investment banks were your average, ordinary customers', but their influence far reaching. When many of such clients were involved, the banks cannot put themselves into a sorry situation that they eventually did. The crisis and the lack of ethics symbolized the lack of fiduciary responsibility.

KPMG India Fraud Survey (2012) has been found that financial services sector is the industry where most number of unethical practices has incurred like corruption and bribery, internet and cyber fraud, frauds in financial statements and money laundering. The survey also suggested 33% of financial services have affected by frauds and 59% of the respondents were accepted that there was frequent fraud incurrence in last two years. Moreover, managers and below level employees of the banks and external parties like vendors, business associates and agents are most vulnerable in committing unethical practices.

Bagus and Howden (2012), in their study focused on "Some Ethical Dilemmas of Modern Banking" and analyzed that during crisis or periods of depression, people as a panic reaction tend to with draw deposits at the same time. Hence fractional reserve banking was developed to ensure only a fraction of bank deposits are available for with a drawl. However, the study concludes that even if the funds may not be available for redemption, if a customer demands his money he may as well get it. The duration of the willingness of the investors time period for investing and the requirement of funds for long-term projects is not commensurate with each other. The role of money as the economy's liquid asset cannot be disputed. It is also the most widely accepted medium of exchange.

Belas (2012), in his work called 'Social Responsibility and Ethics in the Banking Business: Myth or Reality? A Case Study from the Slovak Republic highlighted that Social responsibility translates to the responsibility of the society to the environment and growth that is sustainable. As far as ethics are concerned, being lawful does not automatically mean being ethical. The best possible way of considering ethical approach that would be viable would be to seek maximization of profit, but not at the cost of negative environmental effect.

The researcher also quoted that the public opinion towards commercial banking has had a major upheaval thanks to the crisis. It is during this time that corporate social responsibility (CSR) stopped being a myth and soon became a reality. There has been a constant necessity for business houses to upgrade their CSR practices. However the distinction between the creation of socially responsible profit and the socially responsible distribution of profit has to be clearly understood.

The article also spoke of violation of law and breaking of regulations which is not unheard in banking industry. The key personnel of banking institutions would be happy to pursue CSR practices as far as is mandatory and would prefer to minimize their philanthropic pursuits. Banks by nature are ruthless as regards the investors. As far as practicing ethics and social responsibility is concerned, banks do not see them beyond that of a useful marketing tool. It is only in context of the crisis that the moral aspect of banking has come to be questioned and has forced many banks into a great deal of introspects.

Agarwal (2013), in his article highlighted about "Corporate Governance: Financial Regulators and Courts Need to be on the Same Page." The author proposed few of challenges relating to corporate governance in financial industry to be constructed without violating societal norms, which include ethical conduct. The researcher stressed that as a company, according to the law, is a distinct legal entity – it can sue and be sued in its own name – all the persons working for company, as the employer, are truly working to further the business interests of the company. In doing so each of these persons is supposed to give prime importance to the interests of the company and his personal interests, if any, must, necessarily, take a back seat.

The author also discussed that the companies are inanimate, and all the decisions for any company are made by human beings, who act for and on behalf of company. Thus, it is surely a challenge to make the individuals making decisions for the companies imbibe ethical norms and make legal compliance a habit.

Delloitt India Fraud Survey (2014) has undertaken 400 respondents from leading CXOs across all major industries operating in the area of fraud risk management in September 2014. It was highlighted that financial services, real estate, and infrastructure and social/government sectors perceived as most susceptible to frauds. This conveys the financial services sector is first most area where most number of unethical practices are happening. According to the study senior management found as most vulnerable to commit fraud and least susceptible were external parties. As per the study, 56% of the respondents believed that fraud incidents will get increased in coming two years, 13% said "no" and 31% of the respondents said "may be". The survey also revealed about most effective causes to fight against fraud where 88% felt that rigorous regulatory environment can reduce fraud incidents to some extent, whereas remaining 12% believed that board and directors should be accountable to prevent the fraud.

Jha and Singh (2021) have held research on the topic "Who cares about ethical practices at workplace? A taxonomy of employees' unethical conduct from top management perspective" and found that there are four categories of unethical behaviors. They are lack of autonomy, pro-organization, pro-self, and systemic and negligence. Authors further came up with controlling strategies to mitigate unethical practices on taxonomy. This study reveals the issues arises out of these different types of unethical practices such as rent-seeking behaviour of government officials, bottom-line mentality, fluid ethical study culture, and others.

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