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## BUSINESS ETHICS-CORPORATE GOVERNANCE WITH DIFFERENT PERSPECTIVES

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### Abstract:

*The term Ethics is a broad concept. The word "ETHICS" originated from Greek word "ETHOS". It is branch of philosophy and also considered as normative science because it defines or say relates norms of human conduct. We can say that it is a definition for human being, when action has "Moral" we can say right direction and "Immoral" when goes in wrong direction.*

*Here we are talking about "Business ethics" which is an art and discipline of applying ethical principal to examine and resolve moral dilemmas.*

*When we talk about Governance we should not forget its core principles:-*

*≠Management having nil undue restraints must have executive freedom to drive the company forward.*

*≠Freedom must have accountability.*

*≠Citizens never supports a weak company and it says that "A bird never builds nest on a tree that doesn't bear fruit"*

*Corporate Governance offers a comprehensive, interdisciplinary approach to the management and controls the company. Governance is concerned with the intrinsic nature, purpose and identification of an organization with primary focus on the entity's relevance continuity and fiduciary aspects.*

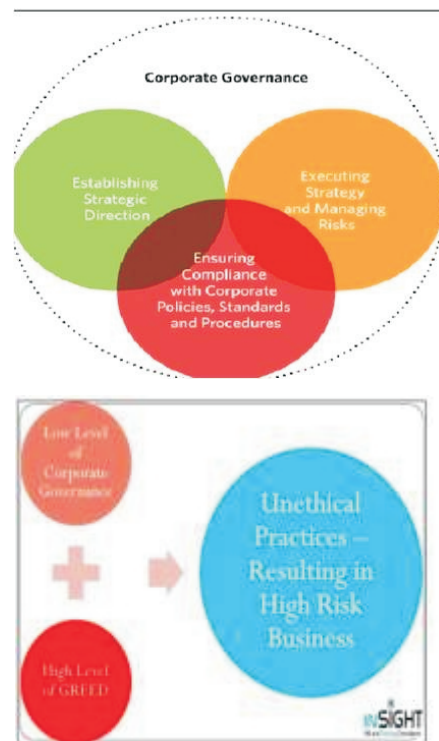
*In this paper I have tried to include the various aspects of ethics with a case study. I have also tried to cover the concept of corporate governance as a part of remedy to it.*

### KEY WORDS:

Codes, Effectiveness, Values, Norms, Ethics.

### INTRODUCTION:

In the past decade there had been number of issues which were having involvement with business ethics such as "The Government securities (Gilt) mutual fund scam of 2001. Lehman Brothers scandal 2008, sat yam scam, Harshad Mehta Scam, Ketan Parikh Scam, Money Market fraud by Virendra Rastogi of RBG Resources (Duty draw back scam), Worldcom scandal 2002 and many more. Corporate Accounting scandals were the outcome of wrong deeds of the executives of public held companies. Issues of corporate governance have been hot debate in United States and Europe over last decade or two. The confederation of Indian Industry (CII), The Associated Chamber of Commerce (ASSOCHAM) and The Security Exchange Board of India (SEBI) constituted committee to recommend initiatives in corporate Governance. The main objective of it was to develop and promote a code of Corporate Governance to be adopted and followed by Indian Companies. This paper is based on the secondary research which reflects the need of business ethics and corporate governance in different context. Some analysts felt that Infosys 'corporate governance and TATA practices offered many lessons to corporate India.



#### OBJECTIVE OF RESEARCH PAPER

To discuss corporate governance in companies to elaborate the matter over ethics. I have taken the help of “Infosys” case study and Focused on Business Ethics and Corporate Governance at Infosys(India’s Admired IT company)

#### LIMITATIONS

In this paper there only generalization of subject is possible as corporate governance is a wide phenomenon .

#### CASE STUDY ON CORPORATE GOVERNANCE AND ETHICAL PRACTICE AT INFOSYS:

- Introduction- Vision and Mission
- Business Ethics at Infosys
- Corporate Governance at Infosys.
- Criticism
- Conclusion
- References

#### INTRODUCTION:

Infosys Technologies India’s most powerful IT company founded by Mr. N.R. Murthy in 1981. It has headquarter in Bangalore. Infosys is second largest software exporter from India. It has crossed \$3 billion mark during financial year 2007 and reached upto \$31.11 billion by the end of 31 st March 2014 in market capitalization. Infosys was ranked 15th largest IT service provider in the world by “HFS Research in 2013 ranking. Other than IT sector Infosys renders it services in different sectors like \* aerospace and Automotive, Banking and Capital Market , Communication service provider , Health care and Insurance , Media and Entertainment , Consumer packaged food .

**BUSINESS ETHICS-CORPORATE GOVERNANCE WITH DIFFERENT PERSPECTIVES**

***VISION statement is:***

“As a globally respected corporate provides best of breed solutions, leveraging technology, delivered by best in class people.”

***MISION statement is:***

“To achieve our objectives in an environment of fair, honesty and courtesy towards our clients, employees, vendors and society at large”.

Infosys plans to make lead in leveraging the global delivery model (GDM) ,pioneered and perfected by it, to help clients derive maximum strategic advantage.

**•BUSINESS ETHICS AT INFOSYS:**

At Infosys the code of business conduct and ethics helps the company ensure compliance with legal requirement and the company’s standard of business conduct. The code deals with responsibility of employees, stockholder which includes general standards of conduct ( like, covering work place harassment , drug , alcohol , safety in work place , personal standards and other applicable laws). Some references taken from their Annual Report which shows code followed in different areas:

**AT STAKEHOLDER LEVEL:**

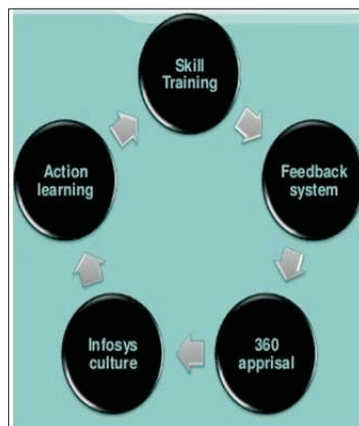
Company has declared dividend of R.43 per share as company stood with Rs.30251 corer as total revenue. At client level addition of 238 clients in the bank of 890 existing one. Infosys expanding units at Indore, Mohali, Noida and Nagpur at India level and internationally at Brazil. With an aim of “Earn from Society and give back to society”.

During recession period between 2001 and 2004 Infosys managed to grow by focusing on providing services to companies’ that desired to update their existing system , undertaking more work of present clients, aggressive marketing campaign at international level and cutting cost wherever possible .

**AT EMPLOYEE LEVEL:**

Infosys attributes its success by investing heavily in employee. Acquiring latest technology by focusing on cutting- edge technology and with the strict application of ethical business practice. Infosys gives employees a world class environment to work and learn. It provides employee a high quality of life and wealth creation opportunities. It believes in business re engineering by obsolescing old technology against latest one. Infosys emphasizes constantly on quality by benchmarking against the best process in the world, also minimizing risk of revenue by diversifying income source.

Infosys with the help of “The Whistle blower’s policy encourages employees to report questionable accounting matters, any reporting of fraudulent financial information to share holder , to the government or the financial markets. It sets out norms for receiving, retaining and treating complaints and procedure for confidential anonymous submission by employees.



**ETHICAL CULTURE:**

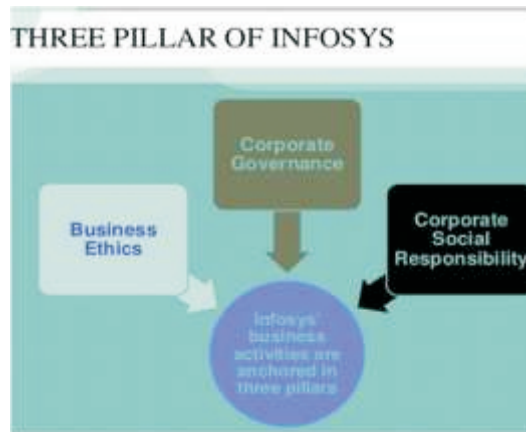
The culture of ethical behavior in the organization emanates from top to middle to bottom level. Mr. N.R.Narayana Murthy "Has known the way, shown the way and gone the way". In order to create an ethical working environment the initiative must be supported by better come from the top category and leaders of organization. By making the decision to commit on ethics, recognizing ability of employee as definition, role model and based on values, giving training to staff and at the same time encouraging them by giving open discussion slot.



**CORPORATE GOVERNANCE AT INFOSYS:**

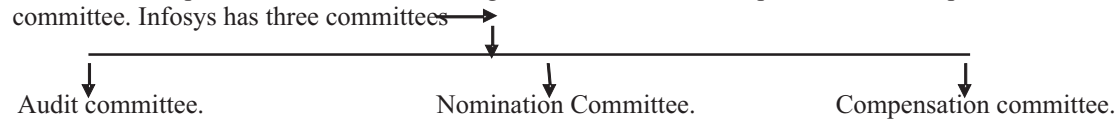
When the concept of governance was getting crystallized after the recommendation of the 'Cadbury committee' and 'The confederation of Indian Industry's code'. The Kumar Mangalam Birla committee report on 'corporate Governance-1999 summarized the objective of the concept-"The fundamental objective of corporate Governance is the enhancement of long term shareholder value while at the same time protecting the interest of other shareholders."

Infosys has adopted these ideals as an article of faith and observes it minutely to ensure independent practice board along with committee who decides executive compensation and nomination of audit purpose. Infosys has put in place all these governance practices to yield fruitful results for the overall welfare of all stakeholders.



**EFFECTIVE CORPORATE BOARD:**

An effective corporate board is one that delegates the resolution of important issues to specialized committee. Infosys has three committees

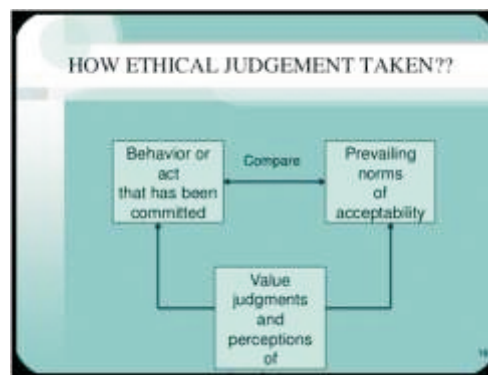


## BUSINESS ETHICS-CORPORATE GOVERNANCE WITH DIFFERENT PERSPECTIVES

As suggested by various committees on corporate governance and to ensure independence of the board, there should be non executive Director. An ideal way to ensure better corporate governance is to asset the efficiency of the board of directors through an effective appraisal system. However this ideal is rarely followed even in developed countries and universally board performance is hardly monitored or evaluated.

### EFFECTIVE AND EFFICIENT RISK MANAGEMENT:

This is one of the important aspect of corporate governance that helps a company to achieve its goal of maximizing shareholder wealth. In today's cut throat competitive environment company have to apart from employing shareholder's money productivity, ensure that they do not expose their business to un- warranted risk. Infosys has put in place a risk management system that tracks every conceivable form of risk, which are generally arising due to change in geographic or technological concentration. Company has set up diversified business strategy especially in terms of risk avoidance.



### INFOSYS CORPORATE GOVERNANCE PHILOSOPHY:

Corporate governance philosophy is based on the following principles:

- Satisfying the spirit of the law and not just the letter of the law
- Going beyond the law in upholding corporate governance standards
- Maintaining transparency and a high degree of disclosure levels
- Making a clear distinction between personal convenience and corporate resources
- Communicating externally in a truthful manner about how the company is running internally
- Complying with the laws in all the countries in which the company operates
- Having a simple and transparent corporate structure driven solely by business needs
- Embracing a trusteeship model in which the management is the trustee of the shareholders' capital and not the owner
- Driving business based on the belief, 'when in doubt, disclose'.

### CRITICISM:

Article of 01st April 2014 on rediff.com-Business News quoted that, Infosys has been widely criticized for bringing back Mr. N R Narayan Murthy at the top against its own retirement policy. Report of Ambit Capital – A brokerage firm focuses on Infosys and other two well known companies which have been categorized as “Not So Good”.

The major new point is that Infosys has too many promoter representatives on the board in relation to the size of its promoter's holdings. Moreover it has highest proportion of non independent directors on its board. It can be argued that corporate governance can't be measured in arithmetical terms what matters is the spirit in which things are done and what actually happens.

Infosys has been known to “under promise” and “over deliver” but here question of volatility in its share price. Irrespective of how correct the criticisms are, the fact is that dissatisfaction with governance at Infosys is growing. Recently it had to pay a fine in USA for VISA rule violations. The news which is making matter worst is Mr. Murthy bringing his son along with him.

### CONCLUSION

“It is better to light a candle than remain in darkness”.

Infosys has created thousands of skilled well paid jobs and furthered opportunities for Indians to develop their enterprise and skill. Here I would like to conclude with the guide lines from some credit rating agencies -SEBI encouraged the credit rating agencies- ICRA and CRISIL, to evolve a suitable corporate governance index as a measure of wealth creation by the corporate. Creating governance is mandatory these days as it helps to reduce the unethical work and smoothen the economy of the country. Over the last decade, the role of corporate governance has increased because of the private sector and it is also demanded because of greater integration of financial markets. It controls the capital flows and decreases the risk arising from internationally mobile capital flows. While governments play a central role in shaping the legal, institutional and regulatory climate within which individual corporate governance systems are developed, the main responsibility lies with the private sector. More corporate controls are necessary to check frauds committed by the management. The listed companies constitute the major pool of capitalization and the important segment of the economy namely, capital market in India.

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