

## **IMPACT OF ETHICAL BUSINESS PRACTICES ON THE COMPETITIVENESS OF SERVICE SECTOR STARTUP AND EMERGING ENTERPRISES IN INDIA: A STATE PERSPECTIVE**

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### **ABSTRACT**

Key Personnel(s) / Official(s) of the Organizations were interviewed / surveyed for data collection, as its internal stake holders. Cross Tabular Analysis of States reveals that in Uttar Pradesh, Telangana, Odisha, Madhya Pradesh, Jammu and Kashmir and Andhra Pradesh, All firms observed believing EBP. In Tamilnadu and Karnataka, Most firms observed believing EBP. In West Bengal and Himachal Pradesh, All Firms observed not believing EBP. Low Ethics Less Growing Start-ups were found maximum in case of Maharashtra, followed by Punjab, Delhi NCR, Karnataka, Gujarat. Highly Ethical Fastly Growing Start-ups are maximum in case of Karnataka, followed by Maharashtra, Tamilnadu, Telangana.

**Keywords:** *Ethical Business Practices, Service Startups across States, Competitiveness.*

### **INTRODUCTION**

Business management scholars have been searching for a business case for CSR since the origins of the concept in the 1960s. The CSR of the 1960s and 1970s was motivated by social considerations, not economic ones. Codes of ethics are often not supported by training in ethical practices for employees, it is not clear whether confidential reporting lines are used effectively and, in many cases, no senior manager is clearly designated to handle ethics issues. In the last decade; in particular, empirical research has brought evidence of the measurable payoff of corporate social responsibility (CSR) initiatives to companies as well as their stakeholders. Ethical Codes in the Indian Context have not been subjected to much scrutiny. A culture that is conservative in monetary terms attaches a very high value to created wealth, in turn, leading to business practices bringing change in lives of many and ensuring the process of wealth creation. Most of the well established firms have a well written ethical code of conduct and they strictly follow it. These firms are successively increasing their participation in the CSR activities. Small startup firms stress on revenue collection. Till present most of the regulations regarding business ethos, good governance and corporate social responsibility are only focused on large public listed companies. This brings up a gap between the ethical scenario of nation. Hence, More empirical and theoretical research work is needed in the sphere, to firm up the exact modular relationship between the societal culture and business ethics, in context of the untapped segments. All these reveals us that many a times business houses got involved in unethical business practices to increase their profits or to improve their capability in market. Such practices did throughout the world. This urges out the need for studying out the matter. Approaching towards our Focus Group, i.e., Indian Service Sector, which is the youngest and also the fastest growing sector of Economy & having the largest share in the structure & growth of the economy, is the foremost tool of growth and development of nation, we can have. but this sector in recent past many a times, especially in India, has been accused of its service failures and incompetence, arising out of irresponsible behavior / treatise of management or professionals at various levels. Now in this research focusing on Emerging and Startup Indian Service Sector Corporates, we have studied the status of ethics in their practices and the need and possibility of revival there (Kanda, 2017). Discussing the recent literature in Indian Context, Mulla (2003) observes that "Efficacy of corporate initiatives in the ethical regard in Indian Environment remains to be seen". He exclaims that "Employees' personal initiative and dynamic leadership for a

sustainable moral ethical character will work for". Seshadri, Raghawan & Hedge (2007) expands that "Business ethics are also about creating an ethically sound working environment within organization and about modeling ethical behavior by leadership. It makes good long term business sense to be ethical". Jalil - Azam & Rahman (2010) interprets that "Ethics and ethical behavior are issues which are increasingly being focused". As per the study, "Organizations are crossing red zone of ethics and ethical behaviors". They also acknowledges that "Organizations are constantly surveying and evaluating the unethical practice in business organizations worldwide". They recommend that "It is very essential to have a code of business ethics in every business organization and having the code implemented in the organization in objective and effective way". Mishra & Sharma (2010) interprets that "Effective CSR Policy within specific industries and companies is becoming increasingly accepted, but its implementation varies all across". Smart, Barman & Gunasekera (2010) is of view that "Corporate communications and reporting on sustainability need to do more than just pay lip service to the green agenda" and "Ethics must be embedded in business models, organizational strategy and decision making processes". As per them, "Governance structures should include people with appropriate skills to scrutinize performance and strategy across social, ethical and environmental issues". Labbai (2013) stresses that "Companies must adopt and disseminate a written Code of Ethics, build a company tradition of ethical behavior, and hold its people fully responsible for observing ethical and legal guidelines". He recommends that "Companies able to innovate new solutions and values in a socially responsible way, are most likely to succeed". Hussaini (2014) had a Research on Top Indian IT Companies. She emphasized for a "strong need to formally address the ethical issues with all seriousness". She argues that "Ethical and Compliance Policies are not in place in Indian IT Firms and there is a strong need to improve up to reach upto global standards, if they wish to succeed in global market over a long term". She recommends that "a standard for measuring and reporting ethical behavior in business should be adopted to validate the claims of it being ethical". Mishra - Dalvi - Sahni - Verma (2014) stress that "Most of the well established firms have a well written ethical code of conduct and they strictly follow it". According to them, "These firms are successively increasing their participation in the CSR activities". In opposite they comment up on the small businesses that "Small startup firms stress on revenue collection. It is Empirically proved that "ethical practices in business help to create favorable relationships with other organizations and establish long-term positive relationships with existing and potential future customers" and hence "Grow and Sustain in Long Run" (Kanda & Handa, 2018a, b).

## **RESEARCH GAP AND IMPORTANCE**

Theoretical Review has found only a "least or negligible research on the phenomenon with regard to Indian service sector firms in a rigorous manner". Only a few reports or papers have been found in this behalf. Ethical Failures are substantially observed in Services. Still the service sector is the most growing sector of the economy. It has been theoretically urged that "small startup firms stress on revenue collection". Further, the Going on studies in India are mostly focused on Large Firms, Based on the Secondary Information. The Present study has attempted to cover the same research gap by using different data sources relevant to the study. The problem is of substantial importance on account of the corporate governance practices opted by Indian firms as a part of global economy as well as not as such significant work being done on the above said phenomenon. This study is a significant study, as it tends to give a clear picture of the collective scenarios of Indian Businesses in this context and make a useful contribution towards the phenomena (Kanda, 2017).

## **OBJECTIVES AND SCOPE**

To identify the ethical practices followed by Indian Service Start-up Corporates; and  
To find the Impact of Ethical Business Practices on the Competitiveness of Service Sector Startup and Emerging Enterprises in India.  
To find whether dimensions and effectiveness of opted Ethical Business Practices varies across based on State Differentiation and the resultant impact of Ethical Business Practices on the Competitiveness of Service Sector Startup and Emerging Enterprises.  
This research regarding the Existence and Practicability of Ethical Conduct in the Present Competitive Business Environment is prepared for the period starting from the date of project inception to the project conclusion. So this study presents an overview regarding the Indian business practices in service sector for

this period and other allied facts and figures. Apart from that it also gives us a brief view of the global trend and the situation of the Indian economy in the present competitive scenario (Kanda, 2017).

## **RESEARCH METHODOLOGY**

### **Research Design / Methodology**

Being a Qualitative Research, design opted for this research is Descriptive Research Design, where Survey is the Primary Method of Data Collection. For the purpose of Primary Data Collection, Structured Data Collection Design of survey method has been used with the majority of Close-Ended Alternative Design of Questions in the questionnaire. For the Purpose of Interviewing, Primarily Personal Interviewing with a supplement of Telephonic & Electronic Interview Techniques of interviewing have been used, depending upon the reach and availability of sample. In some cases, Observation was also used as a supplementary source of data collection whenever applicable. A Pilot Survey on 10 Percent of the Sample, i.e., 20 Organizations, was initiated in inception to leash out the anomalies left, which followed a Main Research Survey, after corrections, in the respective sub-sectors. Methods for the data collection from the above sources included Sample Survey, Observation, Expert Opinion and Secondary Data Analysis as appropriate with a Sample Size of 0.51 % (all India sample of 203 Concerns out of Total 39,971 Concerns in Service Sector India\*), adjusted based on adequate representation of the industry and region (Kanda & Handa, 2018a, b).

### **Measurement and Scaling**

As per the objective 1, based upon a pilot Survey of 10 Enterprises in NCR, following Dimensions of Ethical Business Practices in Services have been identified and considered for measurement (Measured on Ten Point Scale - Each Comprising of 10 Variables): EBP1 - Customer Relationship Management; EBP2 - Public Relations; EBP3 - Social Cause; EBP4 - Public Disclosure; EBP5 - Corporate Social Responsibility & Governance; EBP6 - Product Quality; EBP7 - Organisational Citizenship; EBP8 - Service Failure Handling; EBP9 - Grievance & Redressal; EBP10 - Other Factors (Stake holders' survey). Based the earlier business studies and measures of corporate performance, Organisational Competitiveness is measured for last five years (2011-2016), based on following criterion, Which Jointly Made OCFY for the covered five years (OCFY1, OCFY2, OCFY3, OCFY4, OCFY5), measured on a 10-point scale: OC1 - Business Image, Stakeholders' Opinion and Social Entity (in concerned region); OC2 - Financial Performance and Administrative Efficiency (in the Industry); OC3 - Employee Morale and Organisational Corporate Citizenship (In general); OC4 - Business Turnover and Marketing Costs (Industry, Sectoral and National Average); and OC5 - Quality Assurance, Product Utility and Other aspects (based on Segmental Standards). Weighted Averaging has alike:  $OCFY = (OC1 + OC2 + OC3 + OC4 + OC5) / 5$ . For large corporates, if taken in some instances, sample has been taken more than once, considering regional variation. For questioning throughout the different segments of survey, questionnaire rating scales such as category scales, summated rating likert scale, and graphical rating scale have been used for the purpose. Dichotomous questioning is also used for some of the basic incepting questions such as to ask about the existence of ethical governing structure in the organization (Kanda & Handa, 2018a, b).

### **Sampling Criterion**

For the purpose of sampling, companies / other registered organizations in service sector, having its span of operations in India were considered as population. Bearing the clause of confidentiality, pertaining a sensitive study, individual identities are not disclosed herein.

### **Sample Size**

For the purpose of primary data collection, a sample size of 203 Service Concerns PAN India was taken into consideration. There was a three tier survey. Key Personnel(s) / Official(s) of the above Organizations will be interviewed / surveyed by the above mentioned modes of data collection, as its internal stake holders. They were asked about the existence of EBP in corporate world and their organization, the details of EBP opted by their concern for its service delivery, and the impact of such EBP on the organisational

and business growth of their organization. Customers in reach, Nearby observers, Government representatives, Independent Company Auditors, Independent Research Organizations, Research Groups, CSR / Corporate Governance Organizations, etc. with questions about EBP in service delivery quality and service failure handling, as the external stakeholders. The details of Survey, in respect of samples covered is as follows:

**Table 1:** Sample taken across service industries

<b>Range / Area of Activity</b>	<b>No. of Companies</b>	<b>Sample</b>
Business Services	9,752	50
Community, Personal & Social Services	3,064	15
Construction	5,345	25
Finance	8,237	40
Insurance	135	5
Transport, Storage and Communications	1,447	5
Real Estate and Renting	3,859	20
Trading	6,214	30
Others	1,918	13
<b>TOTAL</b>	<b>39,971</b>	<b>203</b>

\* **Source:** Annual Report 2014-15, Ministry of Corporate Affairs, GoI.

**Note:** Population, here for the purpose of this research consisted of companies / other registered organizations in service sector, having its span of operations in India in the respective activity. Since it was given by the existing research body that "Most of the well established firms have a well written ethical code of conduct and they strictly follow it". Whereas, "Small startup firms stress on revenue collection" and have a greater probability of getting indulged in unethical practices (Mishra, Dalvi, Sahni & Verma, 2014), thereby in order to make survey representative, the focus of population laid especially on startup and emerging business concerns. Sectoral quota as well as Industrial regions has also been considered while determining the size and proportion of sample, based on share of each sector / region in the total investment as well as contribution to the GDP growth of nation.

### **Sampling Technique(s)**

Stratified random sampling have been used for the purpose of sampling, with a supplement of simple random sampling. Judgmental and/or Convenience sampling have been used in exceptional cases.

### **Statistics used (All India Basis)**

'NIIR - All India Companies Directory - 6th Edition', well providing about the key official(s) as well as other necessary details has been used for the purpose of statistics for allocating sample out of above mentioned population. Regional Yellow Pages Dairies and respective industry association databases have also referred for the purpose. Besides, other significant statistics have been used to supplement it.

### **Data Collection Technique(s)**

For the purpose of primary data collection, data have been collected through personal interviewing wherever desired as well as within the reach of researcher, with a supplement of enumerators / mail questionnaire / e-mail interview / questionnaire / etc.

### **Sampling Variable**

Personnel(s) / Official(s) of the above Organizations, as per the given statistics, have been interviewed / surveyed by the above mentioned modes of data collection.

## ANALYSIS AND INTERPRETATION

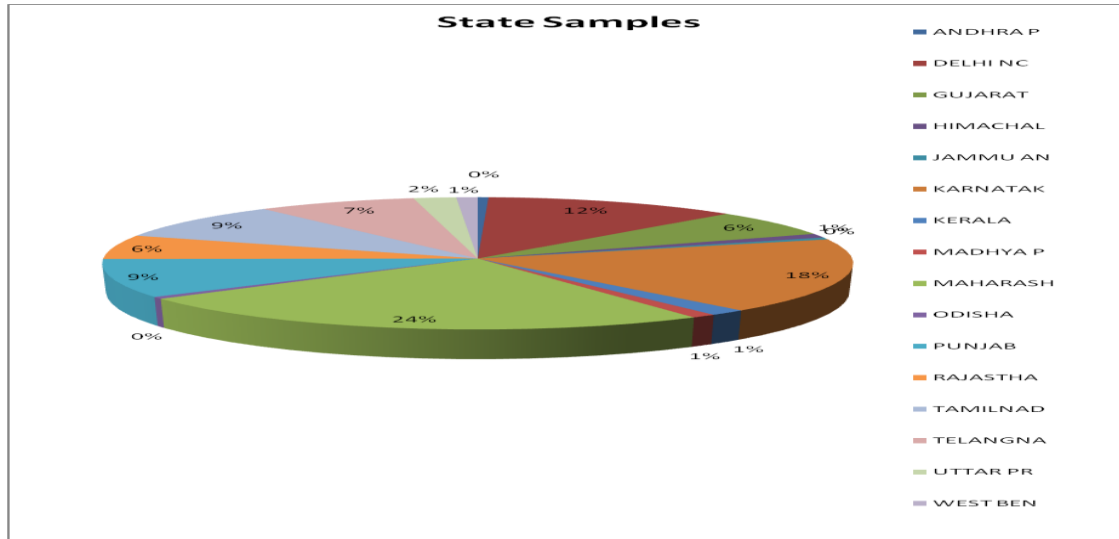


Figure 1: State Sample Representation

**Interpretation:** Maximum Sample is from Maharashtra, followed by Karnataka and Delhi NCR etc.

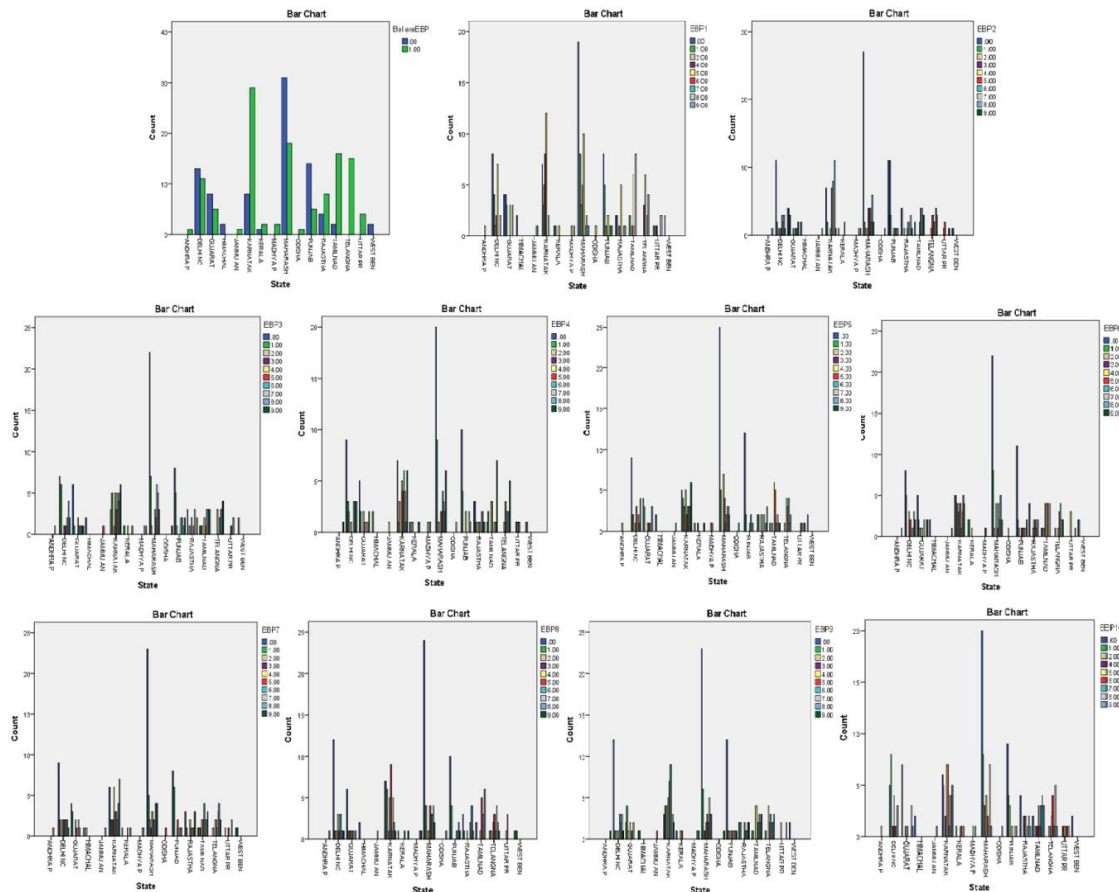
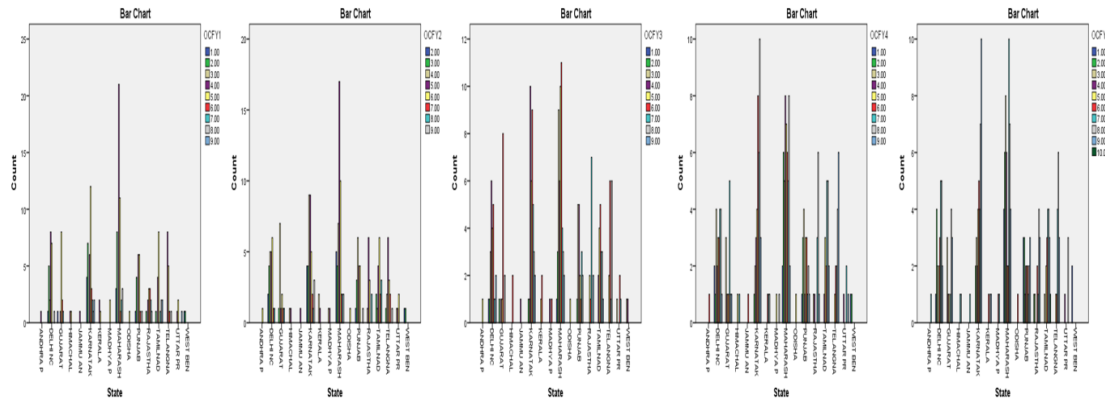


Figure 2: Believe in Ethical Business Practices (EBP) and Scenario of EBPs

**Interpretation:** In Uttar Pradesh, Telangana, Odisha, Madhya Pradesh, Jammu and Kashmir and Andhra Pradesh, All firms observed believing EBP. In Tamilnadu and Karnataka, Most firms observed believing EBP. In Rajasthan and Kerala, More firms observed believing EBP. In West Bengal and Himachal Pradesh, All Firms observed not believing EBP. In Punjab, Most Firms observed not believing EBP. In Maharashtra, Gujarat and Delhi NCR, More Firms observed not believing EBP.

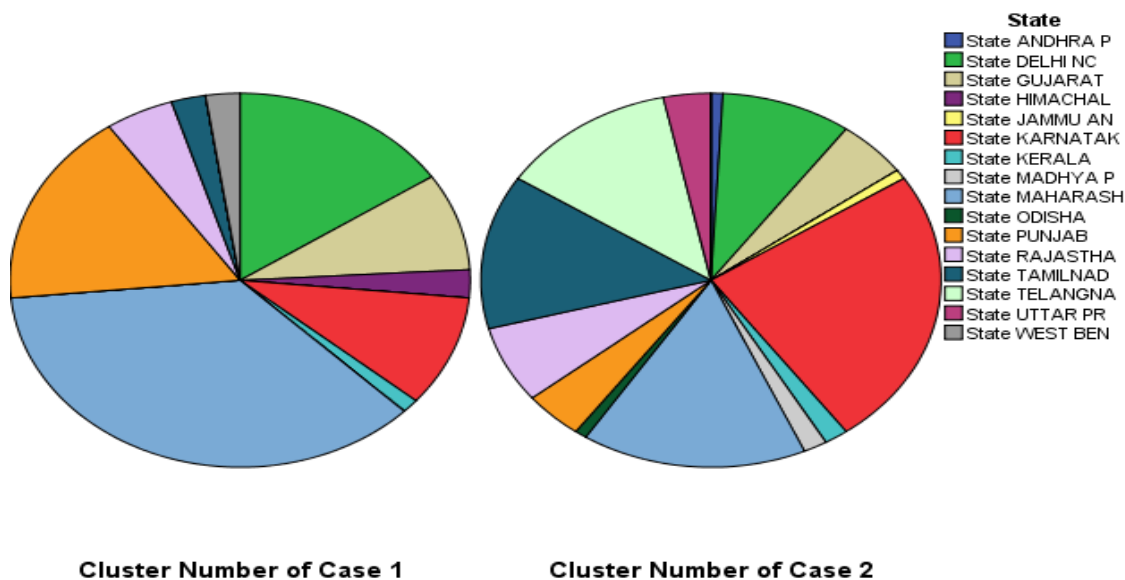


**Figure 3:** Organisational Competitiveness: Financial Year 1 to 5

**Interpretation:** Scenario of OCFY across five years is observed across states.

#### Clustering Analysis (Industry Representation)

Based upon the study results, the sample firms have been apportioned among 2 clusters, namely '**Low Ethics Less Growing Start-ups**' (Cluster 1) and '**Highly Ethical Fastly Growing Start-ups**' (Cluster 2). **Low Ethics Less Growing Start-ups** were found maximum in case of Maharashtra, followed by Punjab, Delhi NCR, Karnataka, Gujarat, Rajasthan, Himachal/ Tamilnadu/ West Bengal, Kerala. Whereas, **Highly Ethical Fastly Growing Start-ups** are maximum in case of Karnataka, followed by Maharashtra, Tamilnadu, Telangana, Delhi NCR, Rajasthan, Gujarat, Punjab, Uttar Pradesh, Kerala/ Madhya Pradesh, Andhra Pradesh/ Jammu and Kashmir/ Odisha.



**Figure 3:** Clusters formed across states

**Interpretation:** For Cluster 1 Maharashtra is the largest state, and for cluster 2 Karnataka is a counterpart.

**Table 2:** Clusters' rank across states

State to Cluster (Rank)	Low Ethics Less Growing	Highly Ethical Fastly Growing
Andhra Pradesh	-	11
Delhi NCR	3	5
Gujarat	5	7
Himachal Pradesh	7	-
Jammu and Kashmir	-	11
Karnataka	4	1
Kerala	8	10
Madhya Pradesh	-	10
Maharashtra	1	2
Odisha	-	11
Punjab	2	8
Rajasthan	6	6
Tamilnadu	7	3
Telangana	-	4
Uttar Pradesh	-	9
West Bengal	7	-

**Interpretation:** Cluster ranks across states are shown above.

**Table 3:** State Wise Curve Estimation Analysis

State	Movement from Cluster 1 towards Cluster 2						Trend C2
	OCFY1	OCFY2	OCFY3	OCFY4	OCFY5	Overall	
Delhi NCR	4>3 to 4<5	5>4 to 5	4 to 6	4 to 6<7	5>4 to 7	Up	I I I I
Gujarat	5 to 5	5>4 to 5	5 to 6<7	5 to 7	5 to 8	Up	- I I I
Karnataka	5>4 to 4<5	5>4 to 5	4 to 6	4 to 7	4 to 7<8	Up (1D)	I I I I
Kerala	4 to 4<5	5 to 4	6 to 5<6	7 to 7	8 to 7<8	Down (IU1-)	D D D - D
Maharashtra	4 to 4<5	5>4 to 5<6	4 to 6	4 to 7	4 to 7	Up	I I I I
Odisha	5	6	5	5	6	-	I D D I
Punjab	4 to 5	5>4 to 5<6	4 to 7	4 to 7	4>3 to 8<9	Up	I I - I
Rajasthan	6>5 to 5<6	6>5 to 5<6	7>6 to 7	6>5 to 8	5>4 to 8<9	Up (1D)	- I I I
Tamilnadu	7 to 5<6	6 to 5<6	5 to 6<7	6>5 to 7	4 to 7<8	Up (2D)	- I I I

**Interpretation:** Delhi NCR has observed a Throughout Increase. Gujarat has observed a Throughout Increase. Karnataka has observed a Throughout Increase. Kerala has observed a Throughout Decline. Maharashtra has observed a Throughout Increase. Odisha has observed a Mix Trend (Increase Decline Increase). Punjab has observed a Throughout Increase. Rajasthan has observed a Throughout Increase. Tamilnadu has observed a Throughout Increase.

## CONCLUSION

Ethical Codes in the Indian Context have not been subjected to much scrutiny. A culture that is conservative in monetary terms attaches a very high value to created wealth, in turn, leading to business practices bringing change in lives of many and ensuring the process of wealth creation. Indian Service Sector, which is the youngest and also the fastest growing sector of Economy & having the largest share in the structure & growth of the economy, in recent past many a times, especially in India, has been accused of its service failures and incompetence, arising out of irresponsible behavior / treatise of management or professionals at various levels. The Present study has attempted to cover the same research gap by using different data sources relevant to the study. This study is a significant study, as it tends to give a clear picture of the collective scenarios of Indian Businesses in this context and make a useful contribution towards the phenomena (Kanda, 2017). Maximum Sample is from Maharashtra (24.1%), followed by Karnataka (18.2%), Delhi NCR (11.8%) and Punjab (9.4%), Tamilnadu (8.9%), Telangana (7.4%), Gujarat (6.4%) & Rajasthan (5.9%) etc. Cross Tabular Analysis of States reveals that in Uttar Pradesh, Telangana,

Odisha, Madhya Pradesh, Jammu and Kashmir and Andhra Pradesh, All firms observed believing EBP. In Tamilnadu and Karnataka, Most firms observed believing EBP. In Rajasthan and Kerala, More firms observed believing EBP. In West Bengal and Himachal Pradesh, All Firms observed not believing EBP. In Punjab, Most Firms observed not believing EBP. In Maharashtra, Gujarat and Delhi NCR, More Firms observed not believing EBP. Based upon the study results, the sample firms have been apportioned among 2 clusters, namely, 'Low Ethics Less Growing Start-ups' and 'Highly Ethical Fastly Growing Start-ups'. Low Ethics Less Growing Start-ups were found maximum in case of Maharashtra, followed by Punjab, Delhi NCR, Karnataka, Gujarat, Rajasthan, Himachal/ Tamilnadu/ West Bengal, Kerala. Whereas, Highly Ethical Fastly Growing Start-ups are maximum in case of Karnataka, followed by Maharashtra, Tamilnadu, Telangana, Delhi NCR, Rajasthan, Gujarat, Punjab, Uttar Pradesh, Kerala/ Madhya Pradesh, Andhra Pradesh/ Jammu and Kashmir/ Odisha. As per the results observed, dimensions and effectiveness of opted Ethical Business Practices varies across based on State and Service Industry Differentiation and the resultant Impact of Ethical Business Practices on the Competitiveness varies accordingly, subject to organization's strategic positioning and management (Campbell & Malan, 2002; Mishra & Sharma, 2010; Tonello, 2011; Hussaini, 2014; Patel & Schaefer, 2014; Kanda & Handa, 2018a, b).

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