

“Ethics In Business and Value Addition”

A Case: Polyhydron Pvt. Ltd., Belgaum-Karnataka (India)

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INTRODUCTION

The new millennium has given way to the growth of knowledge based, seamless global society, characterized by constant rapid change quite difficult for an average mind to even gauge. The Indian economy is in transition from government control and stagnation to one of free market economy, competition, and innovation. The Government of India initiated the economic reforms in 1991. The government went about putting an end to the license – permit raj; automatic approval of foreign investment up to 51% in most industries, opening up of the insurance sector etc. India is also one of the members of the World Trade Organization (WTO). The agreements of the WTO specify that equal treatment should be given to both domestic and imported products and there should be no discrimination among the member countries. Thus, the Indian economy will further integrate with the global economy, and at the same time, Indian industries will face fierce competition in the globalized economy.

In the last two decades of the 20th century, business throughout the world was rocked by scams and other unethical behaviors. People began to realize the damage such conduct could have on the image of the respective products/services and countries. Acceptability of products/services of the concerned companies and their credentials were at stake. This resulted in a greater demand for ethics and values in conducting a business.

In the new millennium it has become imperative for businesses throughout the world to conduct business ethically, in order to survive, grow, and thrive. The process of globalisation of the Indian economy will make it inevitable for all the Indian businesses to evolve into ethical organizations; else their very survival will be at stake in the seamless global economy of the new millennium.

At this stage, one underlying issue is-

Are ethics and ethical practices new to Indian Business Environment?

The answer is “NO”.

- i) In Bhagvad Gita, Lord Krishna says that a manager must look upon the task that has been set for him, or that he sets for himself not in terms of personal gain or profit, but purely in terms of its fulfillment and the satisfaction that it gives him.
- ii) In the Aryan ethical code, sons inherited their father’s debts along with his property.
- iii) Artha Shastra lays it down as a duty to keep complete accounts and be audited for their clarity and truth.

But unfortunately (In India) in the 20th century, especially after Independence till the year 1991, the Indian economy was strictly controlled by the Government under the pretence of safeguarding the interest of the people. Competition was considered to be bad. As a result, the economic growth was paralyzed, monopolies were created and a few companies were able to reap the benefits through exploitation of all the stakeholders.

Customers had no choice but to purchase low quality goods at exorbitant prices, managerial talent and time was spent more on managing the power centers and less on Creativity, Innovation, and Improvement.

During License Raj, strategic planning for industry was done more at Shastri Bhavan and Yojana Bhavan, and less in the boardrooms. Not to miss, the Indian economy was also racked by the infamous stock scams that involved top brokers, respected banks, and other financial institutions of the country.

WHAT ARE ETHICS?

The word ‘ethics’ comes from the Greek word ‘ethos’ meaning character or custom. According to Robert C. Solomon, Professor in Philosophy, ethics suggest two basic concerns:

- i) Individual character, including what it means to be “a good person” and
- ii) The social rules that govern and limit our conduct, especially the ultimate rules concerning right and wrong, which we call morality.

Business ethics is the study of what constitutes right and wrong, or good and bad human conduct in a business context.

RELATIONSHIP BETWEEN PERSONAL ETHICS AND BUSINESS ETHICS:

The relationship is very much integrated and cannot be separated. As organization is of people; moral and ethical decisions will be taken only when people in the organization have studied and taken it seriously about ethics in general and moral values in particular.

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Business today cannot be developed only with technocrats; it needs a good synergy of technocrats and managers. Therefore, management students who can base their decisions on ethical standards and build their individual and organizational reputation on integrity are very much needed. So, business schools should mould their students to be managers of high integrity who will be capable of taking ethical decisions in any organization they join.

Evolving one’s organization into an ‘ethical’ organization is much easier said than done. But it is not impossible.

In this paper, the authors have made an attempt to highlight the ethical practices and effects of the same at Polyhydron Private Ltd., Belgaum (Karnataka).

“Visiting this temple of ethical management is a great learning experience for me. My optimism now has a solid practical proof.”
 - Avinash Dharmadhikari,
 I. A. S. (Retd.)

PPL – A TEMPLE OF ETHICS

Polyhydron Pvt. Ltd., (PPL) is a flag ship company of Polyhydron Group of Companies. It was established in 1982 and manufactures Hydraulic Radial Piston Pumps, Valves and Accessories. Its products are priced unbeatably low, and PPL has changed the price marginally in the last 25 years. It has maintained this strong marketing strategy through careful implementation of Just-in-time Production system, Kanban System etc., where waste elimination is the key.

Polyhydron is known for its ‘Ethical Management’. At PPL, honesty is not a policy, but ‘the policy’. It believes in building quality from the SOURCE. Self-inspection is the Best Inspection is also its policy.

A. MANAGEMENT BY SOUL:

What good ethical behavior comes down to is soul – where you house your values, your purpose in life, including the picture of the kind of person you want to be. Without your Soul, you have nothing to guide you.

The soul that Shri. Suresh B. Hundre CMD calls as “Jiva” of Polyhydron is deep rooted in the culture, and is expressed as a mission statement.

“We will nurture an ethically managed organisation. We will not exploit our Customers, Employees, Suppliers, Government, Society, and Nature”.

B. CODE OF ETHICS:

- a. Each of the employees is responsible for both the integrity and consequences of his own actions.
- b. Each and every employee must follow the highest standard of honesty, integrity, and fairness.
- c. The company expects that no employee will undertake any activity while on the company premises or while engaging in company business, that is immoral or that could in any way harm or embarrass the company and its customers.

C. MANAGING WITH A CONSCIENCE:

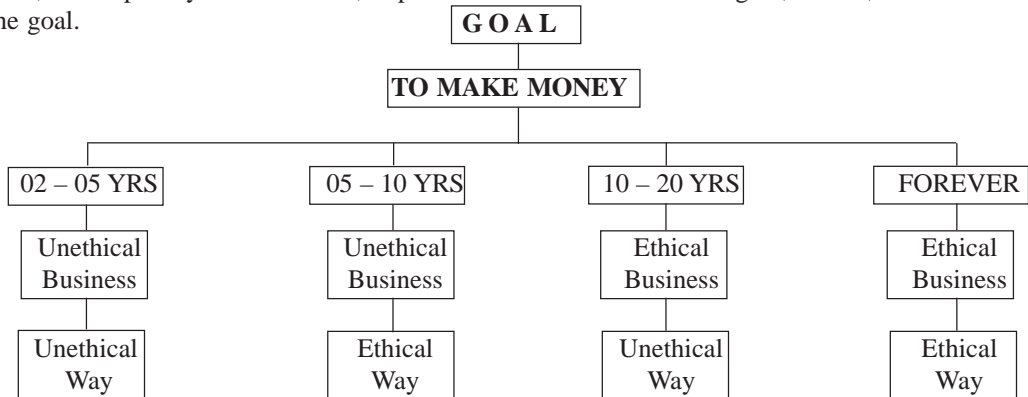
You don’t have to cheat to win

PPL has adopted by replacing the old “we” against “them” mentality with a new perception of “us” that encourages the growth of profitable relationships with employees, customers, clients, suppliers, and alliance partners. It stimulates, creativity, adaptation to change, promoting excellent service, and communication, builds trust, and energizes the work force.

D. PROFIT MAKING IS NOT BAD:

Profits generate funds (taxes) for the government, which in turn serves society and the nation. Profits also provide wages for the employees. But, the manner in which the profits are made should be ethical.

The chart below, developed by S. B. Hundre, depicts the relation between the goal, means, and the time required to accomplish the goal.



Therefore, the goal should be to make money now, as well as in future, and not just now.

PPL operates under the overall umbrella of ethical management, which guides all the decisions taken by the organization. Hundre says, “I will live up to my values and never compromise”.

E. GENERAL PRACTICES:

- i) Processes
 - a. Material b. Paper c. Ideas.
- ii) Factory–within–factory
- iii) The basic unit of time at PPL is a week
- iv) Negative inventory turnover (for some)
- v) No Stores Department
- vi) Single source of supply
- vii) All unnecessary paper work has been eliminated
- viii) No Receptionist, i.e., open door system.
- ix) S. B. Hundre’s beliefs for ethical management are as follows:
 - a. Trustworthiness. b. Making money ethically c. Transparency d. Freedom to think individually
 - e. Congenial living conditions f. Access to advanced technology g. Freedom of expression
 - h. A reason to live and lead life i. An opportunity to learn j. Tension free atmosphere
- x) An organization to get information from employees before it is needed and not after
- xi) No Supervisors, S. B. Hundre says “Supervisor’s basic job is policing, and we trust our employees and do not want to police them, and therefore we have “eliminated Supervisors”
- xii) Value addition bonus for employees.
- xiii) Welfare Activities:
 - a. Robin Hood Scheme. b. Vehicle Scheme. c. Janata Policy
- xiv) Marketing without Marketing Department

F. MANAGEMENT BY WORKING ALONG (MBWA):

Suresh B. Hundre rubs shoulders with the machine operators, administrative staff, designers, and even computer programmers. He believes it is necessary to work, and says – even though faults may be found in his work, but not in one thing, his commitment to work.

Nothing motivates a man more than to see his boss putting in an honest day’s work.

G. IDEAS IN PROCESS:

At PPL, it is the knowledge of workforce; the training and intention of engineers; know-how of workmen, and dedication and commitment of the Managing Director Shri. S. B. Hundre, that have not only improved the factory efficiency but also discovered new, innovative products worth millions of rupees (to name few; Lever optd., Directional Control Valve in 2002 – 03, Feed and power Hand Pumps in 2001 – 02, Mono Block Directional Control Valve in 2001 – 02, Pilot operated pressure Relief Valve in 2001 – 02, Joystick controlled pilot oil unit in 2001 – 02, Cartridge Directional Control Valve in 2001 – 02, Radial Piston Pumps 11 p.m. 750 bar and Solenoid Directional Control Valve).

H. EFFECTS OF ETHICAL PRACTICES:

The more ethical and knowledge intensive the Company is, the greater the M/B Values.

M/B value of PPL in comparison with world players

Company	Market Value (M)	Book Value (B)	M/B
IBM	\$ 70.7 Billion	\$ 16.6 Billion	4.25
Microsoft	\$ 85.5 Billion	\$ 930 Million	91.93
PPL - Belgaum	Rs. 1,719.75 Lakhs	Rs. 749.90 Lakhs	2.29

I. CONCLUSION

It can be said that, managing business ethically is no longer an option in the new millennium. To evolve any business in to an ethical practice, one requires tremendous efforts and commitment of people at all the levels in the organization. This has been proved at Polyhydron Private Ltd., Belgaum, a Medium Scale Industry.

Through ethical practices, Shri. Suresh B. Hundre, CMD of PPL has been able to satisfy all the Stakeholders. The contributions are as follows:

(Continued on page 41)

(Continued from page 30)

To employees : Increase in Salary, Productivity Bonus, Efficiency Bonus etc.
To Customers : I) Depots Close to Customers Business houses.
 II) Quality product at minimum cost and in time.
To Suppliers : Single Supplier, Prompt Payment and Constant
 Assistance.
To Government : Prompt in paying advance Income – tax (won an award for the same).
To Society : Liberal donations and continuous financial assistance to needy people.
To Fellow businessmen : Constant effort to propagate the advantages of ethical business practices.
