ISSUES IN BUSINESS ETHICS & CORPORATE GOVERNANCE: A CASE STUDY OF CCL RANCHI

Rakesh Kumar

Research Scholar
Department of Commerce
B.R.A.Bihar University, Muzaffarpur
E-mail: meetrakeshranjan570@gmail.com

Abstract: This paper investigates the relation between corporate governance and business ethics in Indian business in context of CCL Ranchi. Many issues of corporate governance centre on reconciling different legitimate values. Though return on equity is important, equally important is conducting business without compromising on principles. Stakeholder's activism is valuable, but they must also be willing to let management discharge its duties. The paper highlights different orientations to stakeholder management and integrity, behavior in the boardroom and executives' offices. The aim of the present study is to explain and discuss the propositions in the above mentioned statement. It will also provide arguments based on ethical issues and will be supported by a case study.

Index Terms **- Ethics, business ethics, corporate governance, stakeholders, CCL Ranchi**

I. INTRODUCTION

The word “Ethics” is derived from Greek word “Ethos” which slandered or ideals that should prevail. Business ethics are the moral principles which should govern business activities. These provide code of conduct that guides business managers in performing their jobs. A 'Code of Ethics' goes beyond separate values to become a set of principles that makes a clear statement of what the business corporation is willing to do, or not do, like forbidding staff to take bribes. Many different Codes of Ethics, or Conduct, now exist, ranging from those issued by international bodies, such as the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, to individual Codes adopted by different business corporations around the world.

To define 'Business Ethics', then, it is made up of three main components: -

- Ethical values;
- A Code of Ethics, and
- Good Corporate Governance

Business Ethics

A company's managers play an important role in adhere establishing its ethical tone. If managers behave as if the only thing that matters is profit, employees are likely to act in a like manner. A company's leaders are responsible for setting standards for what is and is not acceptable employee behavior. It's vital for managers to play an active role in creating a working environment where employees are encouraged and rewarded for acting in an ethical manner. Managers who want employees to behave ethically must exhibit ethical decision making practices themselves. They have to remember that leading by example is the first step in fostering a culture of ethical behavior in their companies. No matter what the formal policies say or what they are told to do, if employees see managers behaving unethically, they will believe that the company wants them to act in a like manner.

II. ETHICS IN INDIAN COMPANIES:

In Indian environment INFOSYS and TATA are known for their ethical behavior. It is a tough job to get all employees in an organization to understand the company's value system and philosophy. Value System is the backbone of a company to stand steady on its feet and grow. How long the company can adhere to its Core Values when the organization grows very fast- by adding a lot of fresher and laterals. Even if organizations have lateral induction programs, it takes time for the laterals, especially in the middle management, to the current company's philosophy and core values, because they are already used to a different culture. This deviation from the company's culture affects the employees badly. This is a difficult job for management to ensure in order to sustain respect. Ethics has strong basis on values and trust.

The importance of values and trust in Organizations.

Unless we make a difference to the society and earn their trust, we cannot be long-term players. Therefore, in everything we do, we must ask ourselves whether we are adding value to the society around us, regardless of where we are US or India.

The trust of employees is the most important ingredient for successful leadership. To gain the trust of people, there is no more powerful leadership style than leadership by example. The world respects performance and action, not rhetoric.

An emphasis on meritocracy and data-orientation enhances the confidence of employees in the fairness of the corporation. We believe in the adage, 'in God we trust everybody else brings data to the table'.

No single person is indispensable. It is important that you give challenging engagements to deserving people, whether they are young or new in the organization. Youth and empowerment are the keys to scalability and longevity.

III. CORPORATE GOVERNANCE :

Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled. It also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, management, and the board of directors. Other stakeholders include employees, customers, creditors, suppliers, regulators, and the community at large.

3.1 History

In the 19th century, state corporation laws enhanced the rights of corporate boards to govern without unanimous consent of shareholders in exchange for statutory benefits like appraisal rights, to make corporate governance more efficient. Since the late 1970's, corporate governance has been the subject of significant debate in the U.S. and around the globe. In the early 2000s, the massive bankruptcies (and criminal malfeasance) of Enron and WorldCom, as well as lesser corporate debacles, such as Adelphia Communications, AOL, Arthur Andersen, Global Crossing, Tyco, led to increased shareholder and governmental interest in corporate governance.

3.2 Corporate Governance-Principles:

Key elements of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and commitment to the organization. Commonly accepted principles of corporate governance include:

3.2.1 Rights and equitable treatment of shareholders: Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings.

3.2.2 Shareholder Perspective:

Those who approach ethical decision making from a shareholder perspective focus on making decisions that are in the owners' best interest. Decisions are guided by a need to maximize return on investment for the organization's shareholders. Individuals who approach ethics from this perspective feel that ethical business practices are ones that make the most money.

3.2.3 Interests of other stakeholders:

Organizations should recognize that they have legal and other obligations to all legitimate stakeholders.

3.3 Stakeholder Perspective:

The phrase corporate social responsibility is often used in discussions of business ethics. The idea behind this concept is the belief that companies should consider the needs and interests of multiple stakeholder groups, not just those with a direct financial stake in the organization's profits and losses.

Organizations that approach business ethics from a stakeholder perspective consider how decisions impact those inside and outside the organization. Stakeholders are individuals and groups who affect or who are affected by a company's actions and decisions. Shareholders are definitely stakeholders, but they are not the only ones who fall under the definition of stakeholder.

3.3.3 Stakeholders may include: employees, suppliers, customers, competitors, government agencies, the news media, community residents and others. The idea behind stakeholder based ethical decision making is to make sound business decisions that work for the good of all affected parties.

3.3.4 Role and responsibilities of the board:

The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. It needs to be of sufficient size and have an appropriate level of commitment to fulfill its responsibilities and duties. There are issues about the appropriate mix of executive and non-executive directors.

3.3.5 Integrity and ethical behavior:

Ethical and responsible decision making is not only important for public relations, but it is also a necessary element in risk management and avoiding lawsuits. Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making. It is important to understand, though, that reliance by a company on the integrity and ethics of individuals is bound to eventual failure. Because of this, many organizations establish Compliance and Ethics Programs to minimize the risk that the firm steps outside of ethical and legal boundaries.

3.5 Disclosure and transparency:

Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

IV. Corporate Governance in India

Issues of corporate governance have been hotly debated in the United States and Europe over the last decade or two. In India, these issues have come to the force only in the last couple of years. For example, the corporate governance code proposed by the Confederation of Indian Industry is modeled on the lines of the Cadbury Committee (Cadbury, 1992) in the United Kingdom. On account of the interest generated by Cadbury Committee Report, the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and Industry (ASSOCHAM) and, the Securities and Exchange Board of India (SEBI) constituted Committees to recommend initiatives in Corporate Governance. The main objective of it was to develop and promote a code for Corporate Governance to be adopted and followed by Indian companies, be these in the Private Sector, the Public Sector, Banks or Financial Institution, all of which are corporate entities.

In the Indian context, the need for corporate governance has been highlighted because of the scams occurring frequently since the emergence of the concept of liberalization from 1991. We had the Harshad Mehta Scam, Ketan Parikh Scam, UTI Scam, Vanishing Company Scam, Bhansali Scam and so on. In the Indian corporate scene, there is a need to induct global standards so that at least while the scope for scams may still exist, it can be at least reduced to the minimum.

Corporate governance covers a large number of distinct concepts and phenomenon as we can see from the definition adopted by Organization for Economic Cooperation and Development (OECD) **"Corporate governance is the system by which business corporations are directed and** controlled. The corporate governance structure **specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions in corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance".** From this definition we see that corporate governance includes the relationship of a company to its shareholders and to society; the promotion of fairness, transparency and accountability; reference to mechanisms that are used to *"govern"* managers and to ensure that the actions taken are consistent with the interests of key stakeholder groups.

"A recently conducted survey came up with some interesting facts. When the respondents were asked about the reasons of failure of corporate governance about the bigger risks to corporate governance in India and key reasons for corporate failures in the West. 35 percent considered weak oversight and monitoring as the biggest risk to corporate governance. This is lower in comparison to 55 percent of the respondents who participated in that poll and considered this factor to be the single biggest reason for corporate failures in the west".

V. Ethical Issues in Corporate GOVERNANCE:

There are certain issues in corporate governance which calls for an ethical stance. These are:

Legal vs. Ethical Compliance Mechanisms

Factors	Legal	Ethical
Ethos	Regards ethics as a set of limits and something that has to be done	Defines ethics as a set of principles to guide choices
Objectives	Geared toward preventing unlawful conduct	Geared toward achieving responsible conduct
Method	Emphasizes rules and uses increased monitoring and penalties to enforce these rules	Treats ethics as infused in business practice (leadership, core systems, decision-making processes ,etc)
Behavioral Assumptions	Rooted in deterrence theory (how to prevent people from doing bad things by manipulating the costs of misconduct)	Rooted in individual and communal values (both material and spiritual)

VI. Ethical Issues at CCL - Ranchi

Central Coalfields Limited (CCL) is a subsidiary of Coal India Limited (CIL), an undertaking of the Government of India. CCL manages the nationalized coal mines of the Coal Mines Authority, Central division. CCL is headquartered at Darbhanga House, ranchi,Jharkhand. It presently has 65operative mines (20 underground and 45 opencast) in areas of East Bokaro, West Bokaro, North Karanpura, South Karanpura, Ramgarh Giridih and Hutar. Central Coalfields Limited is a Category-I Mini-Ratna Company since October 2007. During 2009-10, coal production of the company reached its highest-ever figure of 47.08 million tones, with net worth amounting to Rs.2644 crore against a paid-up capital of Rs.940 crore. Formed on 1st November 1975, CCL (formerly National Coal Development Corporation Ltd) was one of the five subsidiaries of Coal India Ltd. which was the first holding company for coal in the country (CIL now has 8 subsidiaries). Employees of such subsidiary companies will follow CCL's Global Business Ethics Guide.

Expectations

All employees are responsible for following established environment and health & safety procedures and working in a safe manner and are responsible for the following in support of CCL's health and safety and environment policies:

- Familiarize yourself with CCL's health & safety policies and procedures
- Assume active involvement in health & safety training
- Comply with local environmental and health & safety legal requirements
- Identify any hazard in the workplace and bring it to the attention of management or your Health & Safety Committee
- Use personal protective equipment when required

The Company is responsible for complying with applicable laws and regulations and creating a workplace where environment and health & safety risks are managed and hazards are controlled by providing the necessary tools and training. Management at each facility is responsible for implementing and maintaining, environment and health & safety procedures in support of CCL's commitment.

6.1 Health, Safety and the Environment

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- Familiarize yourself with CCL's health & safety policies and procedures
- Assume active involvement in health & safety training
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The Company is responsible for complying with applicable laws and regulations and creating a workplace where environment and health & safety risks are managed and hazards are controlled by providing the necessary tools and training. Management at each facility is responsible for implementing and maintaining, environment and health & safety procedures in support of CCL's commitment.

Protecting CCL's Assets and Information

It is the responsibility of all employees to safeguard CCL's assets and information which include physical assets, technology, confidential and proprietary information. CCL expects employees' use of the Company's assets and information to be business related unless otherwise authorized.

Physical Assets

A Physical asset is property belonging to CCL and may include buildings, tools, equipment, computers, phones, office supplies and furniture. As an employee of CCL you have the obligation to safeguard our Company's physical property from damage, misuse, loss and theft. Some of the ways in which you can help protect CCL's property are:

- Use them appropriately at work and while not in use, store them in a safe place
- Notify security or management of any missing items
- Notify management if you suspect criminal activity or harm to CCL's property
- Provide a locked space for certain items

All of CCL's assets are intended for business use. Occasional personal use is allowed as long as it:

- Doesn't interfere with your job performance
- Doesn't affect CCL's electronic communications systems
- Isn't used for any other outside business activity unless authorized

Physical assets cannot be removed from CCL's premises without authorization from local management. When employment terminates, CCL's assets must be returned to the Company. No electronic data will be transferred from the Company's systems to the employee unless written authorization from your general manager has been obtained.

Technology/Information Systems

CCL's information systems are an important business resource and must be protected from theft, misuse and corruption. CCL's Global Internet Access and Electronic Messaging Policy must be adhered to at all times. Some of the practices to be followed include:

- Using only software and programs that CCL has purchased, installed or authorized
- Ensuring licensing agreements have not been violated
- Prohibiting the duplication of CCL owned software
- Safeguarding passwords
- Complying with computer back-up and virus protection recommendations

Opportunities

Opportunities for business advantage within CCL's fields of business encountered by employees belong to CCL and should not be privately exploited by employees for personal gain.

Confidential Information

We are obligated to safeguard CCL's confidential information which includes proprietary information and intellectual property. Confidential information is both sensitive and a valuable asset. Many different types of information have value because they are maintained in confidence. Misuse or negligent handling of this information could cause irreparable harm to its owner.

CCL's confidential information includes:

- Unpublished financial data
- Sales forecasts
- Vendor contracts
- Strategic plans
- Compensation
- Research & Development
- Technical product data
- Planned business acquisitions and divestitures
- Customer information
- Employee personal information

Examples of CCL's proprietary and intellectual property are:

- Patents
- Trademarks
- Trade secrets
- Copyrights
- Products

Some of the ways in which you can safeguard CCL's sensitive information includes:

- Controlling access by making the information available on a needto-know basis
- Avoiding discussions of confidential information in public areas
- Destroying documents pertaining to CCL's confidential information when they are no longer needed
- Keeping your desk clear of confidential paperwork
- Locking your PC and file cabinets when you are away from your work station for extended periods of time

Any invention, idea, process, discovery, computer program or other element of intellectual property related to CCL's businesses and created by an employee while employed by CCL are the property of CCL.

Unauthorized use or disclosure of CCL's confidential information is prohibited and in some cases illegal. CCL respects the proprietary property rights of others. Unauthorized use of proprietary information belonging to others may damage CCL's reputation or result in a lawsuit. Occasionally personal resources may be used when working away from the office. CCL's information must be properly safeguarded from unauthorized access, theft, misuse, loss or corruption.

Personal Information

CCL collects and maintains personal information that relates to its employees. Such information will be treated as confidential, sensitive information that will be seen only by employees who have a need to know while performing their duties and as permitted by law. Unauthorized disclosure of this information will not be tolerated and may lead to discipline including termination of employment.

6.2 Communications

When communicating with the public, employees must not misrepresent CCL's products, services or position and information must be clear and factual. An employee must be careful not to suggest that they are speaking on behalf of CCL unless they are authorized to do so.

Disclosure

As a company listed on the TSX (Toronto Stock Exchange) we are required by law to disclose information that could affect a stockholder's decision to buy or sell CCL's stock. The disclosure must be general to ensure fairness among investors and potential investors. CCL has policies in place that establish processes in which appropriate control is maintained over the timing and method of release of material information. These policies must be adhered to.

Media

Employees or consultants of CCL may not speak on behalf of the Company. Only authorized employees of CCL may deal with the media to prevent confusion as to CCL's position on a given subject.

Publications/Presentations

When giving a presentation on behalf of CCL, employees should be careful and ensure that their presentation does not include personal views or opinions. The publication or presentation must also not misrepresent CCL, its products, services or financial position in any way.

Marketing/Sales

All marketing material must be factual and easy to understand. In addition, any photos or illustrations of product must be accurate. These materials must not be misleading about CCL's products or services. Photos of customers' products must not be used in selling materials or brochures without the prior written consent of the customer.

Personal

CCL's letterhead, logo or other communications material containing CCL's name or logo should not be used for personal communication. You may not suggest in any way that you are speaking on behalf of CCL unless you are expressly authorized to do so.

6.3 Reporting Ethical Concerns

In today's business environment it can be difficult to keep up with the daily challenges we face as employees of a growing global business. Making ethical decisions is not always easy or clear cut. The answers aren't necessarily obvious or straightforward. To help you make your decisions read through the sections of this Guide and then ask yourself the following three questions:

1. Is this legal?
2. Would CCL be embarrassed if this situation became public knowledge?
3. Would I approve of this situation if I was a fellow employee?

If you are still unsure or require additional clarification seek guidance from your supervisor, the general manager or HR department. They have access to additional resources such as our corporate Legal, HR, Risk Management, Audit, Health & Safety and Environment, IT, and Finance departments. If for some reason you are not comfortable talking to your local management or you have spoken to them and no action has been taken.

Expectations

It is the responsibility of us all to:

- Read, understand and comply with CCL's Code
- To promptly report any violation or potential violation of this Code to your supervisor, local management team or HR representative
- Ask for help when we are unsure
- Cooperate with any internal investigation

Additionally, managers of the company are expected to:

- Lead by example
- Promote open and honest communication
- Ensure all employees have a copy of CCL's Global Business Ethics Guide and understand it
- Support any employee who brings forward a concern to be discussed including ensuring the employee suffers no retaliation for doing so.

Violations

The following are examples of what to report:

- Any breach or suspected breach of the Code or any financial policies.
- Concerns regarding questionable accounting procedures or audit matters.
- Situations in which you feel you are being pressured to violate the law or this Guide.
- Any violation of a law.

If you believe you have contravened CCL's Code, you must advise your manager, HR department or general manager.

Discipline

Violations of CCL's Business Ethics Guide may be subject to discipline up to and including termination. Violations would include:

- Any breach of the Guide
- Asking others to violate CCL's Guide
- Refusing to cooperate in an investigation
- Deliberately failing to report an infraction
- Maliciously made allegations
- Retaliation against an employee who has reported a violation of CCL's Code

Reporting

All employees may openly or anonymously report an ethical concern, violation or potential violation of this Guide through Compliance. Compliance is the third party operator of CCL's Ethics Hotline. They are an independent company that specializes in ethics reporting and ensure complete confidentiality of all concerns and complaints. Their reporting system maintains your anonymity while providing a means of open dialogue between our management and employees which allows us to work together in addressing violations of CCL's Code. There are three ways to bring your concern forward: by telephone, mail or Internet. Compliance offers translation for many languages.

CCL wants to feel comfortable raising business practice, ethical or legal issues internally or through the Hotline. As a result, CCL will not permit any retaliation against anyone who in good faith has submitted an ethical concern.

Instead,try“R.B.G.thanks”.Putapplicablesponsoracknowledgmentshere;DONOTplacethemonthefirstpageofyourpaperorasafootnote.

VII. Conclusion

Failure in corporate governance is a real threat to the future every corporation. With the effective corporate governance based on core values of integrity and trust, companies can gain much competitive advantage which attracts and retains best multiple alternatives and generates positive reactions in the market place- if any company got reputed for ethical behavior in this competitive market place it engenders not only customer loyalty but also employee loyalty. Effective corporate governance can be achieved by adopting a set of principles and best practices. A great deal depends upon fairness, honesty, integrity and the manner in which companies conduct their affairs. Companies must make a profit in order to survive and grow; however, the pursuit of profits must stay within ethical bounds.

Companies should adopt policies that include environmental protection, whistle blowing, ethical training programs and so on. Such compliance mechanisms help develop and build corporate image and reputation, gain loyalty and trust from consumers and heighten commitment to employees. Ethical compliance mechanisms contribute to stability and growth since it instills confidence; management, leadership, and administration are essentially ethical tasks. The focus of the virtues in governance is to establish a series of practical responses which depend on the consistent application of core values and principles as well as commitment to ethical business practice.

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