Corporate Ethics of Top IT Companies in India

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Abstract:

**Purpose** - Ethics as an issue has become very important in Indian IT companies with Satyam scam getting a global centre stage. Increasingly executives, employees and businesses in general are held accountable for ethical violations, have stood for trial, dismissed or forced to resign. In this context, the paper investigates how well implemented are the ethical practices of the top 10 IT firms in India. Since Companies have ethical obligations to all its stakeholders, this paper examines the attributes related to building trust and confidence of its employees, customer privacy data protection, anti-competition policy, industry specific specification etc. under ethical boundaries.

**Design/methodology/approach** – The ethical policies followed by Top 10 Indian IT companies were examined by content analysis disclosed in the Code of Conduct/ Ethics, Sustainability Report and Annual Report for the year 2009-10.

**Findings** - The finding of the research paper highlights the need for IT companies under study to formally address the ethical issues with all the seriousness it requires. The analysis reveals sufficient evidence for ethical and compliance policies to be in place by Indian IT firms under globally acceptable standards as a proactive measure.

**Research limitations/implications** – The data is covered for one year and sample is comprised of only 10 IT firms in India

**Practical implications** – The result of the study will provide a basis for a more extensive research covering longer time period and wider sample study of software firms in order to represent an overall picture of ethical practices in Indian software industry.

**Originality/ Value** – The study is important to understand that the issue of business ethics in IT firms in India is no longer to be ignored to win a place in the global market.
Keywords – Corporate Ethics, Code of Conduct, Employee Benefits, Community Improvement and Customer Satisfaction.

Paper Type – Research paper

Introduction

Until 1990’s ethics was not on agenda for many companies in India. But it has become one of the sizzling issues in recent years. Corporate ethics is believed to be the cornerstone of any business for building trust and confidence among its stakeholders. It is believed that good business means good ethics in organization. However, companies looking for short term gains often engage themselves in illicit payments, kickbacks, non-disclosure of its product limitations or resorting to improper marketing strategies. In recent times, instances of fraud at workplace are not hidden from us. It is even more alarming that frauds committed by employees are more common by those persons external to the organization (Shaw, 2002). Such ethical violations in running the business may gradually manifest in many objectionable consequences. Frauds of Harshad Mehta, Ramalinga Raju of Satyam have shocked and disappointed the corporate world. There is enough evidence that by following unfair and unethical means an organisation not only incurs expenditure on legal suits but also tarnishes its image and loses its goodwill. Some of the other renowned unethical practises in India have been the Bhopal Disaster, Scandal of Harshad Mehta and Fodder Scam in Bihar.

In present day context, companies are more concerned about profits and revenues for its long term sustainability and therefore neglect ethics in organisation. It is already exemplified by some major scams that have captured global attention. Companies consider profitability, competitiveness, innovativeness and sustainability as more integral to it success and hence they conflict the ethical issues which ultimately takes a backstage. But these companies forget that a clean image catches the attention of investors, stakeholders and alike. An
organisation which practices good ethical standards is usually assured of repeated business from satisfied customers and this ensures continuity in business. Hence, high ethical standards are now increasingly recognised as an asset to ensure sustainability of a company and an unethical behaviour is considered a liability. There has been a study by the UK’s Institute of Business Ethics (IBE) indicating that the companies which were committed to business ethics showed a better financial performance in the long run than those lacking such a commitment. A similar study done earlier by a group at De Paul University, Chicago also showed a distinct correlation between ethics and better financial performance of the company.

Acting ethically has become ‘the fundamental’ to the very existence of a company. Recognizing the importance of ethics in corporate world, many successful companies are paying attention towards effective ethical education to their staffs. It makes the company internally more stable and contributes towards a responsible public image of the company. In period of crisis, corporate ethics have a strong common uniting influence on the staff which makes the company even more stronger and more survivable. Ethics also plays a significant role in building a trustworthy environment within a company and shaping its image in the public. Hence, developing an ethical system is a difficult yet effective task in a company, as it guides the basic decision making strategy without violating any societal norms.

In this paper, there is an effort to bring out how the Indian IT firms that operate in a globalised world have addressed the issues of business ethics. Most companies in general look at ethics in an ambiguous manner. They hesitate to address ethical issues seriously and openly.
Literature review:

Corporate ethics is not just about being moral and doing things the right way. Ethics refers to the basic principles of moral values that are expected to be followed by every citizen in a civilized society, aiming to maintain tranquility and virtues. Any organization whether profit making or service oriented needs to abide by ethical principles so that the entire nation is benefited. The major sources of ethical values are knowledge imbibed through religious sermons and Vedic books, culture and law. These systems influence every organization and have become the guiding principles for the individuals working in the organization. The strict followers of religious values also practice ethics in organization.

Corporate ethics can be understood from broadly two schools of thoughts:

(i) Teleological Ethics &

(ii) Deontological Ethics.

Teleological ethics focuses on the end result of any company’s business as being ethical or unethical rather than the process of getting to that result. It was conceived by Jeremy Bentham and John Stuart Mill in 19th century. This view puts forward the idea that a person should act in a way that maximizes the good of the greatest number of people. It is a form of ‘cost benefit’ analysis.

Deontological Ethics focuses on the means of getting to the result as ethical/ unethical. It takes into consideration the fact that how you get to end is as important as the process by which you get to that result. This approach has its roots in the philosophy of 18th century thinker Immanuel Kant and the like. Kant’s main view was that there should be rules and morals in society that should be fair and universally acceptable.
Case: Two IT companies/vendors have submitted request for proposal (popularly known as rfp in IT world) quoting price for a $10,000,000 million project to be outsourced by a reasonably big client during recession when most Indian IT companies’ profits are showing a downward trend. Both companies are in the same situation struggling not to lose any further business that would certainly result in closing down of the major account, losing on a big client/buyer in near future and losing employees who might be possibly laid off under a cost cutting strategy of the company as an impact of recession.

The Delivery Head / Business Unit Head adopts the teleological approach. He reasons that he has to get the business for the company in order for the account to exist, to retain the customer and employees in the company. He might reason that anything he does to get the business is acceptable because the ‘end’ result is ethical. He might therefore call up the Sourcing Head of the customer to bribe him in the form of freebies or kick-backs in case the project is awarded to them.

The Delivery head/ Business unit head of another company takes deontological approach. For him getting the business is as important as the means to get it but definitely not at any cost. He has certain ethics to stick to irrespective of the outcome. He might take the view that to win a bid by bribing the Sourcing Head of the customer in any form is not acceptable.

NORM is another view given by Ronald Green in the study of ethics. His views are quite popular in corporate ethics and provide considerable insight for running a business. It combines the best features of teleological and deontological approaches. NORM stands for ‘Neutral Omnipartial Rule Making’. It recognizes the importance of morality, fairness and common sense. He believes that it is difficult to produce a set of universal rules that we can always apply. Thus, a decision is morally correct when it proves to be rational and impartial. It is a cross between teleological and deontological decision making.
Ethics in Indian IT Companies:

Corporate Ethics in India is a relatively new subject. This statement reflects the development of the discipline in India. Business ethics has gained importance as an academic subject only in 1980s. Since then, ethics in Indian companies have been a focal point but because of the intense competition nowadays, it has become indispensable.

With the economic liberalization of Indian economy in 1990s there had been increase of MNC’s in the country allowing foreign investments in all its sectors. While MNCs give serious consideration to following ethical standards, Indian companies’ performance is increasingly evaluated against these standards. India as an emerging economy has a huge responsibility to succeed in a highly competitive global economy. With the Indian companies going global through mergers and acquisitions and foreign companies showing increased interest in India, Indian companies must follow the ethical rules of the international business.

Dealing with companies’ customer, supplier, partner or competitor on routine basis, stakeholders demand a proof of sound ethics and governance with the associated company. Just as quality certification like ISO 9001, Six Sigma has become a measure for credibility of business; Indian companies must try to operate their business in conformity to ethical standards.

Corporate Ethics is a major issue for companies and many companies have developed code of ethics for smooth running of the organization. There is no question that adopting an ethical approach is only about being ethically right, but it is also about being more successful. Unethical decisions can tarnish the image of the organization. RT De George, a distinguished Professor of Philosophy and Business Administration at the University of Kansas, had
observed that a company’s reputation is one of the key assets and opines that “reputation is a result of continuous ethical action and of an ethical corporate culture”.

The Indian companies realized the importance and need for ethical behaviour and accordingly, in 1995, the Federation of Indian Chambers of Commerce and Industry (FICCI) issued a ten point declaration of “norms and business ethics” for Indian companies. The objective was to promote high standards of business ethics and practices through self-regulation.

In a recent international survey of levels of honesty in government and business, companies were ranked by giving them points out of 10 for their honesty: Singapore was number one in the world with 9.7 points while India was seventh with 3.1 points. Clearly our ethical image badly needs furnishing. In 1992, XLRI Jamshedpur conducted a highly successful conference of company directors on business ethics. It was attended by over 100 participants and the proceedings were published under the title “Corporate Ethics”, the first book on the subject in India. Till 5 years ago, XLRI was the only management school which had ethics as a 3-credit core course. Indians are inclined to believe that they are a highly ethical nation, certainly more so than most. Yet in 1964, Gunnar Myrdal in his celebrated work “Asian Drama” noted that in British days only petty corruption at the lower levels was known in Indian administration, whereas post-independence corruption has spread throughout the system.

The IT industry in India plays an important role in the modern world, and stresses the need for intensive study of the industry. With the globalization of the software industry, a great deal of focus is on India, whose software industry has become a growing part of the international division of labour in software (Arora et. al.2001). With the economic liberalization of India in the late 1990s, along with the information technology (IT) sector, countries started to look towards India for its software needs. Thus India, as a developing
country has started emerging as the software services destination for many countries in the
world. The IT industry has been a precursor in the development of the economy of India by
providing employment and generating revenue (Shikarpur 2004: 15). In the fiscal year (FY)
2008-09 IT industry contributed 5.8 percent to the national GDP compared to 1.2 per cent in
1998-99. It is estimated to contribute 7 per cent in FY 2009 (Nasscom 2003). Total software
and services export revenue of India increased from USD 12.9 billion in the year 2004 to
USD 40.4 billion in 2008 and total IT industry grew from USD 21.6 billion from 2004 to
USD 64 billion in 2008. Software and Services export revenues are estimated to grow over
16-17% to reach USD 47 billion. IT services (excluding BPO, product development and
engineering services), contributed 28.2 per cent of the total industry exports in 2008 and
remained the dominant segment of USD 23.1 billion. Domestic IT services spending grew at
over 43 per cent in FY2008, showing strong signs of increasing sophistication as building
enterprise IT infrastructures and applications, networking and communication became key
priorities for India Inc. Moreover, 284,000 professionals were employed by the software
industry in 1999–2000, which increased to 2 million in the year 2008. The industry is
expected to have an addition of 226,000 employees, to reach nearly 2.23 million employees
while indirect job creation is estimated at approximately 8 million by 2009. Services and
software segments spending are estimated to cross USD 1.2 trillion by 2012. This is more
than the 5.2 per cent growth expected in the total IT spending. The Indian IT software market
has grown from USD 16.7 billion in 2004 to USD 30.3 billion in 2006 (Nasscom 2006) and is
expected to grow to USD 50 billion by 2009 (Nasscom 2003). Hence, it would be beneficial
to understand the ethical disclosure pattern of IT industry that is influencing the economic
growth of the country.
Since Companies have ethical obligations to all its stakeholders, any ethical violations had far
-reaching negative consequences on investors, customers, employees and other stakeholders.
Adopting an ethical approach in organizations reduces pressure on the stakeholders and often saves the company from huge sums of money. Companies are realizing the importance that there is a need for broader accounting of their performance towards all its stakeholders as against accounting performance that interest only to its stockholders. Companies like IBM and Shell have taken steps to include stakeholder consultation as part of their corporate strategy. Similarly, Dow Chemicals includes service to stakeholders in its vision statement which says “To be successful, we have to provide a balance to the needs of all four of these groups (customers, employees, shareholders and society). If we maximize to return any one or two of these stakeholder groups at the expense of others, we won’t survive very long.” It is generally believed that the interests of stakeholders who are partly the owners of the company are not necessarily the same as that of the society in which the companies function. Though there is no validity of the statement, but both stockholders and stakeholders are investors in any company. An investor can be defined as anyone who commits something of value; it could be money or something else that might be directly related to money. Employees for instance, ‘invest’ part of their lives with the employer. The concept of ethics involves changing perception of human welfare and puts an emphasis on the social dimensions of business activity which have a direct bearing on the quality of life in the society. The business decisions have far reaching consequences on the quality of life of the stakeholders and the company. Hence following business ethics becomes the foundation for long term growth and forward thinking plan of an organization. It can also be a trust building exercise. Let us now throw some light on why ethical standards are desired for different stakeholders:

**Employees:** are the major group of stakeholders and the company has a huge responsibility towards them ethically. Ethical behaviour in the form of appreciation, admiration and affection ensure continuance of better relationship between the employees and the company.

With respect to organisational employees, Jones (1991) defined unethical conduct as
behaviour which has a harmful effect upon others and is either illegal or morally unacceptable to the larger community. Unethical behaviour of employees can critically affect a company’s image, stock value, customer retention, ability to recruit and retain top workers and ultimately to compete successfully. Such behaviour may be minor infractions such as fudging of the time sheet in order to meet unrealistic billing budgets, taking credit for others work and putting self or departmental interests above the client’s interest (lagan, 2006) or a major fraud like that of Ramalinga Raju of Satyam Computers, filling fictitious assets with real one. In a (2008) survey by team lease “Nothing Ethical about ethics” of corporate workforce on workplace ethics, nearly 45% did not object to logging of incorrect entry/exit times, 46.8% felt using the office telephone for personal long distance call was fine. Around 60% people lied while applying for leave, supported making tall promises to clients, considered it okay to take printouts and photocopies at office for personal work. More than 62% admitted to doing personal work during office hours.

We see that a linkage exists between unethical acts and the organization policy towards it. While some companies are more tolerant to curb the unethical behaviour, some are more tolerant if the unethical decision leads to an economic benefit (Laczniak & Murphy, 1991). Some studies have also found that managers take less severe action to top performing employees (e.g Bellizzi, 2006). Such discriminatory treatment suggests that managers are willing to compromise on ethical standards. This leads employees to believe that their firm has a climate that supports misbehavior or at least does not punish it (Jackal, 1998).

There should not be any ethical ambiguity or uncertainty among employee experiencing on how he/she will behave in day to day work performance. It is this reason that formal ethical codes are desired in an organization.

**Customer:** A consumer is any person who 1) buys any goods for a consideration which has been fully or partial paid, for, with a purpose that does not include resale or any commercial
purpose (except self employment). 2) hires or avails of any service for a consideration which has been fully or partly paid for, with a purpose that does not include free service or services under a personal contract. (Sec:2 (d), Consumer Protection Act)

Consumers are the people who buy the products. They are the lifeblood of any organization as they bring revenue to the business. A healthy and trustworthy relationship with customers pays the company for new development indirectly ultimately bringing success. Good business ethics should place the customers as one of the important stakeholders and should give the customer his/her due share. There has been tendency to treat customers with less respect than they deserve. Several cases in the past have suggested that customers were regarded as people who could be exploited. Consumers are at the receiving end in most countries of the world, especially in developing countries like India. Consumers should assert their rights which include: 1) right to safety ii) right to be informed iii) right to choose iv) right to be heard v) right to seek redressal vi) right to consumer education. A U.N report (1988) stresses that consumer rights must be ‘defended through’ i) strict standards for consumer safety and health ii) product labelling about the content and proper use of products and their environmental and social impact iii) information and awareness campaigns about potential hazards. However, the laws over years globally have changed regarding customer care and has put tremendous pressure on MNC’s to treat customers with more respect.

There have been several instances that companies who treat their customers well excel more. Treating customers ethically is a very dynamic issue. Indian companies have to scan the global environment actively to make sure they keep with the expectations of customer demand according to international standards.

Community:

Community gives business the right to raise revenue, use the resources, infrastructure etc. In return, it is the responsibility of the company to be a good citizen and act in a responsible
manner. This includes the supporting of local charities, provision of local facilities, sponsoring of local initiatives. There have been many cases where large MNC’s in particular have failed to do this and are accused of exploiting the local community rather than supporting it. Many large companies have huge power and it is certainly very easy for them to abuse this power. Organizations are part of this community and should behave ethically with them.

**Shareholders:** Ethics in shareholders’ rights is required in building a corporate culture of trust, transparency and openness. It includes the voluntary practices adopted by the company to increase customer satisfaction and shareholder’s value. Because shareholders are the primary financial stakeholders of a company, they put money in the business and contribute towards its growth. Being an investor in the business organization, the financial liability of a shareholder is limited to the extent of shares held by them. A shareholder is the partial owner of the company and has the responsibility to delegate the duty of smoothly running it, having little no knowledge of the business or having located far away from the company location. The organization should take voluntary steps to ensure such problems are reduced for its shareholders by following ethical practices such as integrity, transparency, full disclosure of financial and non-financial information and accountability and compliance of the country. Such ethical practices results in maximizing shareholder value in a long term. Also, the shareholder needs to be protected in a number of ways. A shareholder should be allowed in the decision making process to the extent possible, their grievances should be addressed adequately and dividends should be paid full and in time. All these are covered if the companies follow universally accepted ethical standards.
Methodology:
The sampled IT companies were studied using the content analysis disclosed in publicly available document such as Code of Conduct/Ethics, Sustainability Report and Annual Report for the year 2009-10 of top 10 IT companies in India (according to latest NAASCOM, National Association of Software and Services Companies). The ranking of the companies were based on Indian revenues generated by the company in the year 2009-10. The companies whose corporate office were based outside India such as Accenture, Cognizant, HP India, Syntel, Oracle Financial Services, and IBM was not a part of the ranking hence not been considered in the sample.

Findings & Interpretation: The IT companies in India emphasize stakeholder satisfaction as a basis for generating revenue for its business. If the stakeholders are convinced that the business is transparent, fair, and accountable for its actions a unique trust is build in the company and it contributes towards a responsible public image of the company. It also makes the company internally more stable and more competitive in the market.

The disclosure practices of the Indian top 10 companies are summarized in table 1. It denotes that annual report, which is a compulsory financial reporting document, was the most widely used document in the analysis of corporate financial activities (100%). Only 20% companies released a separate sustainability report, which is a non-financial report, addressing its concerns for stakeholders and only 50% released code of conduct for its stakeholder’s guidance.

Table 2 shows the number of firms disclosing each of the categories of stakeholders. All of the 10 sample firms reported about employees and shareholders in their annual report, 7 of them disclosed some information about community activities and 8 firms disclosed about
customers very briefly. While only 2 firms had Sustainability Reports & 5 firms had Code of Conduct published, all the categories of stakeholders were very briefly mentioned in these documents.

**Employees:**

As shown in the Table 3, diversity and equal opportunity was the most frequently reported attribute in employee category, followed by training and career development and health and safety of employees. Qualitative information relating to employees was present in all three documents Sustainability Report, Code of Conduct or Annual Report.

The most frequently reported category of employees that is diversity and equal opportunity indicated that the companies promote people on the basis of their qualification and performance, and were determined to provide an environment free from any illegal discrimination in hiring, compensation, access to training, promotion, termination or retirement based on ethnic and national origin, race, caste, religion, disability, age, gender or sexual or political orientation. Some examples of the information about diversity and equal opportunity in the publicly disclosed reports were:

“Through all our other initiatives, the overarching focus remained on increasing and nurturing Diversity, and making Wipro a more inclusive workplace. We made progress on all four pillars of the Wipro Diversity charter: gender, nationalities, people with disabilities, and underprivileged sections. Some of the initiatives are described in subsequent paragraphs”.

(Wipro: Sustainability Report 2009)

“We will create a work environment that is open, honest and unprejudiced and which encourages people to achieve their full potential. We will value people's individual and team contributions and offer opportunities to share in the company's commercial success.

We will recruit, employ and reward on ability and contribution.” (Tech Mahindra: Code of Conduct, 2009)
“A Tata company shall provide equal opportunities to all its employees and all qualified applicants for employment without regard to their race, caste, religion, colour, ancestry, marital status, gender, sexual orientation, age, nationality, ethnic origin or disability.” (TCS: Code of Conduct: 2009)

It was found that the annual reports from all companies disclosed a quantitative data of employee benefits. However, none of the companies have a policy in place for employee benefits. Health and safety of employees and training and career development were the second most reported attribute. What was alarming about employee category was that 5 or more companies out of 10 did not report on employees under one or any of the attributes mentioned under employee category. Only 4 out of 10 top companies had grievance redressal policy in place in the form of ombuds process or whistle blower, 1 out of 10 companies had a transparent disclosure on evaluation & rating of performance of its employees, work life balance and family friendly policy. Human right policy was another area hardly reported by any company.

Customers:

This is another most important stakeholder category for the disclosure of performance by the software companies. Though there was no separate section devoted showing the importance of customer in either annual report or sustainability report, most of the companies reported the information in quantitative nature in annual report. The firms reported most about product quality being delivered to the customer (90%) in the annual report, followed by privacy and safety of client information (50%) in code of conduct. (Refer Table 4). Dealing with fair trade was reported by only 3 out of 10 companies whereas product labeling was disclosed by only 1 company. Responsible marketing, customer health and safety, product access were some of the areas in customer category untouched by the companies. Product quality is an important
parameter to disclose in the customer category because it helps to build and manage relationship with clients. The companies make sure that tasks undertaken are executed with attention and with a mindset of getting the objective solved, not just for completing the job. Some of the samples of disclosed information on product quality were:

“Our Quality Management System targets results in project satisfaction scores, customer experience as reflected in the Annual Satisfaction Surveys and Process Excellence across key business processes. Our customers trust the strength of our quality processes that assure timely, defect-free delivery of products and services.” (Wipro: Annual Report, 2009)

“Your Company continues its focus on quality through a very robust process framework implementation. Continuous process improvements in developing solutions that meet client expectations is a way of life in your Company. The objective is to ensure greater customer satisfaction through improved quality, higher productivity and reduced cycle time.” (Tech Mahindra: Annual Report, 2009)

Since the IT firms deal with international customers whose sensitive data and information are used and stored with ultimate care. Hence product privacy seems to be of prime importance. To be successful in acquiring more business from existing customers and also to get new customers, these firms must be able to convince their international customers of the absolute safety of the products and services offered. The code of conduct disclosure about safety information might help in convincing the stakeholders of the efforts that the firm has taken to deliver a safe product. Some examples of disclosure about data safety by firms are given below:

“A comprehensive information security and business continuity program is in place, in compliance with ISO 27001. Core focus areas include physical & data security, access control, intellectual property protection, security training & awareness. These are audited
regularly by internal and external auditors as well as our customers.” (Wipro: Annual Report, 2009)

“Revealing confidential company information could undermine TM's competitive advantage. Be aware of TM's security classification system. Remember to be very careful when discussing confidential TM business in public places, and be sure of whom employees are speaking to before disclosing information that might be commercially sensitive.” (Tech Mahindra: Code of Conduct, 2009)

Community:
As shown in the table 5, IT companies reported most frequently about corporate community investment (50 %) in the form of education and upliftment of weaker section in the community category in their Annual Report. Policy on gifts, bribery & corruption, fair competition, employee engagement in voluntary work were disclosed by (max 50%) companies in code of conduct separately.

Companies realize that poor literacy rate in India which is 64% is a major problem in India. Education to poor people empowers them, provides them with different employment choices and opens many door of progress. Indian IT companies are recognizing the power of education in the country and are trying to address the issue of systematic reform in our education system through various programs and partnership with the colleges. Hence, the IT firms are probably concentrating on children’s education and the upliftment of the poor, as indicated in the following quotes:

“We try and engage in deeper issues like education that pose an important challenge to our future in bringing about long-term social change.” (Wipro, Annual Report, 2009)

“The Company endeavors to make a positive contribution to society supporting a wide range of socio-economic, educational and health initiatives, and almost all of these projects and
programs are driven by active participation from the employees of the Company.” (HCL: Annual Report, 2009)

From their annual report and sustainability report disclosures it was noticeable that firms also undertake health service initiatives like building hospitals, treating cancer patients, supporting blood donation camps and food programs such as midday meals for school children and providing food for people affected by flood and famine. Some examples of public health & safety disclosures were:

“Our mobile clinics reach the communities around our factories and provide healthcare to those who cannot come to the centre. We provide primary health care services and focus on both preventive and curative treatment.” (Wipro: Annual Report, 2009)

“Concerned with the public health issues in India, Shiv Nadar is involved with the Public Health Foundation of India (PHFI), working to establish standards in public health education and to create a network of innovative world class India relevant institutes of public health.” (HCL: Annual Report, 2009).

**Shareholders:**

It is mandatory for all the firms to disclose information about shareholders in their Annual Report as per Indian Companies Act of 1956 or by Memorandum and Articles of Association of the company or by the general law, especially relating to contracts under the Indian Contract Act, 1872. Disclosure about voting right and voting procedure was made 100% in the Annual Report. (Refer Table 6). However, only 4 out of 10 firms disclosed information about shareholder’s rights and insider trading. All the IT firms publishing a separate Code of Conduct (50%) disclosed a policy on Insider Trading. Only 2 firms in the sample disclosed voluntary information about minority rights. Almost all of the information about shareholders
was quantitative in nature. The voluntary information disclosed by the firms in the annual reports though very less gave an idea of the activities undertaken by the firms.

“The Clause states that half-yearly declaration of financial performance including summary of the significant events in the last six months, may be sent to each shareholder. We communicate with investors regularly through e-mail, telephone and face to face meetings either in investors’ conferences, company visits or on road shows”. (HCL: Annual report, 2009).

“We communicate with investors regularly through e-mail, telephone and face-to-face meetings either in investor conferences, company visits or on road shows. filings with SEC and consequently discontinued publishing financial statements as per U.S. GAAP” (Infosys: Annual Report, 2009).

It is possible that if these firms disclose more information on their stakeholder activities and make the stakeholders aware of such initiatives, it could add value to the firm.

**Conclusion:**

This study highlighted that most of the top sampled IT firms in India disclose information on all its major stakeholders of their firms but the disclosures were limited only to certain indicators in each stakeholder category. Several categories under stakeholders were untouched by all the companies and many indicators disclosed only voluntarily by very few IT firms. Moreover, Code of Conduct/ Ethics was not in place by half of the sampled IT firms. In the context of above study, it is important to understand that Indian IT firms were ignoring a number of indicators related to the issues of business ethics. The study suggests that ethical reporting by IT firms in India is at a very nascent stage. Setting up a code of Ethics compulsorily and elaborately to counter unethical behaviour is strongly needed by IT
firms. The analysis reveals sufficient evidence that ethical and compliance policies were not in place by Indian IT firms and there is a strong need to do so under globally acceptable standards as a proactive measure. Policy related to different stakeholders highlighting ethical practices as per global standards is the need of the IT firms in India. The information in disclosed reports must cover topics and indicators that would identify its stakeholders and explain how it responded to the expectations and interests. The finding of the research paper highlighted the need for IT companies under study to formally address the ethical issues with all the seriousness it requires. A standard for measuring and reporting ethical behaviour in business should be adopted to validate the claim of it being ethical. Indian IT firms that want to succeed in global market over a long term should implement the ethical standards in their reporting. This will enable them to achieve market trust and reputation.

The findings of the study, however, should be interpreted acknowledging several imitations. Firstly, the study covers only one year data of IT firms. Secondly, the sample comprises of only 10 IT firms in India and it does not represent the ethical behaviour of overall IT industry of India. Thirdly, only the publicly available reports published by the IT firms were analysed for the ethical study. Last but not the least, there might have been some errors analysing the content though possible efforts were taken to minimize them.

The result of the study will provide a basis for a more extensive research in future covering a longer time period and a wider sample study of software firms in order to represent an overall picture of ethical practices in Indian software industry. Research could also be conducted using the website content of the firms as it also provides lots of information on the firms.

Hence to conclude, the study was important to understand that the issue of business ethics in IT firms in India is no longer to be ignored to win a place in the global market.
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20. Polaris Sotware Lab Limited (2009), Annual Report


### Table 1: Public Disclosures by the IT Firms

<table>
<thead>
<tr>
<th>Public Disclosure</th>
<th>No. of companies</th>
<th>Percentage</th>
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<tbody>
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<td>Annual Report</td>
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<td>100</td>
</tr>
<tr>
<td>Sustainability Report</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>5</td>
<td>50</td>
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</table>

Source: Sampled Companies website

### Table 2: Stakeholder Category Disclosures in the Document

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Annual Report</th>
<th>Sustainability Report</th>
<th>Code of Conduct</th>
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</thead>
<tbody>
<tr>
<td>Employees</td>
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<td>5</td>
</tr>
<tr>
<td>Shareholders</td>
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<td>Community</td>
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</table>

Source: Annual Report, Sustainability Report & Code of Conduct of Sampled IT firms

### Table 3: No. of Sampled IT Firms Disclosing about Employees Category

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Annual Report</th>
<th>Sustainability Report</th>
<th>Code of Conduct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Benefit</td>
<td>3</td>
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</tr>
<tr>
<td>Whistle-blower, Ombuds process</td>
<td>3</td>
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</tr>
<tr>
<td>Progress Evaluation</td>
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</tr>
<tr>
<td>Outside employment</td>
<td>0</td>
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</tr>
<tr>
<td>Health &amp; Safety</td>
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<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Well Being</td>
<td>1</td>
<td>2</td>
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</tr>
<tr>
<td>Training</td>
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<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Career Development</td>
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<tr>
<td>Skills Training</td>
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<td>2</td>
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<tr>
<td>Diversity &amp; Opportunity</td>
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<td>Positive Discrimination</td>
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<tr>
<td>Work-life Balance</td>
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<tr>
<td>Family Friendly</td>
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<td>Human Rights</td>
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<tr>
<td>Child labour</td>
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<tr>
<td>Forced Labour</td>
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<td>Freedom Association</td>
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Source: Annual Report, Sustainability Report & Code of Conduct of Sampled IT firms
### Table 4: No. of Sampled IT Firms Disclosing about Customer Category

<table>
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<tr>
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<th>Annual Report</th>
<th>Sustainability Report</th>
<th>Code of Conduct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer quality</td>
<td>9</td>
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<td>Data Privacy</td>
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<tr>
<td>Customer Health &amp; safety</td>
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<td>Fair trade</td>
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<td>Product Labeling</td>
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<tr>
<td>Responsible Marketing</td>
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<td>Product Access</td>
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</table>

Source: Annual Report, Sustainability Report & Code of Conduct of Sampled IT firms

### Table 5: No. of Sampled IT Firms Disclosing about Community Category

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<th>Annual Report</th>
<th>Sustainability Report</th>
<th>Code of Conduct</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good citizen</td>
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<td>Corporate Community Investments (Education+ Public health &amp; safety)</td>
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<tr>
<td>Employee engagement in voluntary work</td>
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<tr>
<td>Gifts</td>
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<td>Fair Competition</td>
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<tr>
<td>Bribery &amp; Corruption</td>
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<td>Business Ethics</td>
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<tr>
<td>Political non-alignment</td>
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<td>Supplier/ Contractors</td>
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Source: Annual Report, Sustainability Report & Code of Conduct of Sampled IT firms

25
Table 6: No. of Sampled IT Firms Disclosing about Shareholder Category

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<th>Sustainability Report</th>
<th>Code of Conduct</th>
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<tbody>
<tr>
<td>Voting Rights</td>
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<tr>
<td>Voting Procedure</td>
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<td>Insider Trading</td>
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<tr>
<td>Shareholders Rights</td>
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<td>Minority Rights</td>
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<tr>
<td>Pre-emptive Rights</td>
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<td>Anti- takeover</td>
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<tr>
<td>Proposal Rights</td>
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