Contribution of Corporate Ethics for Sustainable Development in Front-Line Organization

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Abstract

One of the largest industries in the global economy is retail sector which is going through an incredible change all over the world as there is seen a huge enhancement in customer needs and change in the buying patterns. Due to its contribution of 14 to 15% in GDP it is one of the important pillars of Indian economy (McKinsey and Company, 2007). The Indian retail market has become the largest outlet worldwide since it exceeds to more than 14 million outlets. For a long time, the corner shops and retail stores were the only options available to the buyers but the trend is towards international formats of retailing. At present when foreign investors are increasing day by day in modern retailing, local small retailers need to be more attentive in responding to present day competitive market changes if they want to maintain their existence in this competitive environment. Understanding of human aspects of business ethics and managerial skills are crucial factors that affect the sustainability of small retail business. In this case there is a dire need of outstanding efforts to accelerate the professionalism of small retailers. The present paper therefore aims to analyze how business ethics play a crucial role in sustainable development and success of small retailers.

Keywords: retailing; small retail business; business ethics; sustainable development

1. Introduction

Indian retail sector is continuously growing despite the fact that there are irregular global economic trends. A.T. Kearney, a global consultancy firm has held India on the fourth position to be the most attractive nation for retail investment.
amongst thirty emerging market economies. According to Ashok Jain (2010) organized segment of retail sector in India accounted for only 5-6% of total retail market in 2010.

One of the retail report given by The Business Monitor International India has estimated that the total retail sales in India will grow from US$ 411 billion in 2011 to US$ 804 billion by 2015-16. Extensive economic growth, high purchasing power with the end-consumer and speedy construction of organized retail infrastructure are important issues behind the forecast. Other consulting agencies like Technopak Advisors also estimate the organized retail sector will grow at more than 30 per cent in the years to come.

Retail sector in India accounts for 22 per cent of the gross domestic product (GDP) and is responsible for 8 per cent of the total employment in the economy. Retailing is one of the largest industries in the global economy and it is a huge source of employment. It is considered to be one of the pillars of Indian economy and accounts for 14 to 15% of its GDP (McKinsey Global Institute report, 2007). Indian retail market has more the 14 million outlets, with that it became the largest outlet destiny in the world (Sinha, P.K. and Uniyal, D.P. 2007). According to A. T. Kearney India has been identified as the fifth most attractive retail destination globally from the thirty emerging markets (US-based global management consulting firm A T Kearney, 2015). The report demonstrates that the share of retail sector in Indian market is Rs. 2850055 crore ($ 516 billion) in 2012. It also states that India will remain a high potential market with accelerated retail growth of 15-20 percent over the next five years expectedly.

2. Retailing

The word “retailing” has originated from the French word “retailer” which means “to cut up”. It is considered to be one of the elementary retailing activities which mean to buy in huge quantities and sell in smaller quantities. According to William J. Stantons, “A retailer or retail store is a business enterprise which sells primarily to the ultimate consumers for non-business use”. Cundiff and Still (1969) defines it as “Retailing consists of those activities involved in the selling directly to ultimate consumers”. The High Court of Delhi in 2004 defined the term ‘retail’ as a sale for final consumption in contrast to a sale for further sale or processing, a sale to the ultimate consumer.

The activity retailing involves a one-to-one interaction of retailer and customer and the management of business activities right from the inception of a good or service to its delivery and post-delivery service to the end-consumer. This industry has largely added to the economic growth of many countries and is certainly one of
the dynamic industries in the world today (Marshall 2001). Indian retail industry is generally divided into two categories: Small Retail and Organized Retail.

A. Organized Retailing

Organized retailing refers to that marketing activity which is undertaken by licensed retailers who have been registered for sales tax and income tax. Besides, it includes those retailers who put into practice management techniques controlled by professionals as a firm or limited company. Such type of retailing includes corporate-backed supermarkets and retail chains, and also large retail businesses owned by private retailers. As per the findings of Joseph, Soundararajan, Gupta, Sahu (2008), organized retail sector which approximately constitutes 8% of the total retail sector is increasing at much faster pace of 45-50% per annum than small retail.

B. Unorganized Retailing

In comparison to organized retailing, unorganized retailing includes the conventional types of low cost retailing like local Kirana Shops, Owner Operated General Stores, Convenience Stores and Street Vendors, etc. According to the report of A. T. Kearny, the Unorganized Retail sector is rising at about 10% per annum. It has risen from US$ 309 billion in 2006-07 to US$ 475 billion in 2011-12 which is approximately 92% of total retail market share (2012). It was US$600 billion in 2015 which was approximately 85% of the total retail market share. This is continuously decreasing (in percentage) from previous years as shown in table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Small Retail in Billion</th>
<th>Organized Retail in Billion</th>
<th>Total in Billion</th>
<th>Share of Organized retail in %</th>
<th>Share of Small retail in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>322</td>
<td>15</td>
<td>337</td>
<td>4</td>
<td>96</td>
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<tr>
<td>2008</td>
<td>344</td>
<td>19</td>
<td>363</td>
<td>5</td>
<td>95</td>
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<td>2009</td>
<td>368</td>
<td>22</td>
<td>390</td>
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<td>2010</td>
<td>394</td>
<td>27</td>
<td>421</td>
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<td>2011</td>
<td>422</td>
<td>33</td>
<td>455</td>
<td>7</td>
<td>93</td>
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<tr>
<td>2012</td>
<td>475</td>
<td>41</td>
<td>516</td>
<td>8</td>
<td>92</td>
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<tr>
<td>2013</td>
<td>490</td>
<td>55</td>
<td>545</td>
<td>10</td>
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<td>2014</td>
<td>534</td>
<td>73</td>
<td>607</td>
<td>12</td>
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<tr>
<td>2015</td>
<td>600</td>
<td>106</td>
<td>706</td>
<td>15</td>
<td>85</td>
</tr>
</tbody>
</table>

Source: [www.ibef.org/industry/retail-India.aspx](http://www.ibef.org/industry/retail-India.aspx)
3. Small Retail Sector in India

A commonly accepted description of retailing is “the activities involved in selling goods and services to ultimate consumers for personal consumption” (Coughlan, A., Anderson, E., Stern, L.W. and El-Ansary, A., 2005). In this research paper, retailers include sellers of goods or services. When we talk of small with reference to retailers as defined by the U.S. Small Business Administration (SBA) it includes a retailer who is “independently owned and operated but is not dominant” in its field of operation (Small Business Administration Guide, 2006). Various terms have been used to connote small retailers, like independent, mom-and-pop, single store, sole-proprietor. The small retail sector can be divided into following categories:

3.1 Categories of Small Retailers

- **Fruit & vegetable sellers** – These retailers sell fruits and vegetables in the market.
- **Food stores** – Such retailers sell bakery products, dairy and processed food and beverages.
- **Non-Vegetable Store** – Such stores sell chicken and mutton.
- **Apparel** – These shops include men’s wear, women’s wear, innerwear, kids & infant wear.
- **Kirana I** – These shops sell bakery products, dairy and processed food, home and personal care and beverages.
- **Kirana II** - This category includes all products available at a Kirana–I store plus cereals, pulses, spices and edible oils.
- **Footwear** – It sells men’s wear, women’s wear, kid’s wear.
• **Customer durables & IT** - These outlets sell electronics, durables & IT products.

• **Furnishing Houses** – It sells home lines & upholstery.

• **Hardware** – It sells sanitary ware, door fitting and tiles.

• **General mechanize** – It includes lighting, stationery, toys, gifts & crockery.

![Graph 2: Source: Resources. (n.d.).](http://www.technopak.com/Technopak-Retail.aspx)

4. **Ethics**

   Ethics is a way of life that involves moral values. The word ‘ethics’ has come from the Greek word “ethikos”, which connotes a set of moral principles and values. Many times, this word used to identify moral principles of specific social values, religious faiths, business laws or personal feelings. It studies human nature and behavior, good and bad; right and wrong. Many ethicists declare that there is always a right way to do anything based on moral values and principles, and other people believe that the right way to conduct depends upon the circumstances and finally up to the person concerned. For many academicians, ethics are just a “science of conduct.” Many philosophers have been searching for the meaning of ethics since 2500 years back during the time of Socrates and Plato, yet they have not been able to come up to a definition. Some of the ethicists believe emerging ethical convictions to be “state of the art” legal matters, that is, whatever ethical guideline are figured out shall be often translated into a law, rule or regulation. The Values, through which we are guided as to how we should behave, are considered moral principles, for instance honesty,
respect, fairness, responsibility; transparency etc. Consequence of this will be human happiness. Simply speaking, Happiness is commonly understood as how much one likes the life one lives, or more formally, the degree to which one evaluates one’s life as a whole positively (Agnihotri & Srivatsava, 2016).

4.1 Place of Ethics in Business

Business ethics is the notion, which is taken differently by different people, but normally, it is all about to identify as to what is right and what is wrong in the business and doing what is right. An organization will have to give explanation for any act or decision taken as per the moral standards and values. This converts into a formalization of ethics through the ethical system in the business. But some businesses take ethics to be hurdles in the process of making money, while others create a peaceful atmosphere in which a business can grow and flourish without breaking the laws of ethics. Being ethical in business means having fewer problems, less pressure and more respect from the buying persons.

Respect and acceptance in a society derive certain unusual “Nectars of Civilization” that can make the business experience rewarding beyond financial consideration. A fundamental choice business people must make whether to focus on short-term gains or the long-term stability and enlargement of ethical business produces. Business ethics play an important role in helping managers and other executives when they struggle during crises and confusion, if they strongly keep hold of their ethics. However, attention to business ethics provides several other advantages. Thus, the aim of an ethical business is to construct a stable environment that reduces unpredicted problems and maximize the peace, prosperity and productivity (Thenmozhi & Dhemapaul, 2011).

On the similar lines, retailers have to act or take any decision as per the moral standards and values set in the business environment. In any retail business, ethics play an important role as it help the retailers to maintain brand value and bring in long term stability in their business. Retailers and front line employees depict the face value for all organization. To maintain this, retail organizations always try to work within ethical environment to gain more and more customer attention and maintain their trustworthiness for long term relation with their customers.

4.2 Ethical Norms for Retail Business Personnel

In any business organization, retailers are not just evaluated on the basis of their financial performance but also on their ethical performance in the business. For example, many shareholders will not prefer to invest in a business where ethical norms are not met with. National Human Rights commission has discussed several
ethical norms for business. On the similar lines, researcher has also pointed out some ethical norms for retail business personnel which are listed as below:

A. **Inclusive Business:** Inclusion is found to be one of the key obstacles to growth in India. So, the initial step to ethical behavior is inclusiveness. As per this belief, all firms including retailers should abstain from such activities that may cause harm to the interests of the stakeholders for whom they operate. This means that retailers should value the culture, traditions and beliefs in which it operates.

B. **Responsible Business:** The protests of Lokpal movement recommend that all business units be responsible. This feature should also be included in business ethical activities. As per this belief, retailers must obey the regulations of trade procedures, which include licensing, documentation and other necessary paperwork appropriately. Business practices that must be adopted should provide following benefits: (1) benefit the nation, and local communities, to its maximum, and (2) It should be in harmony with the laws of the land.

C. **Clear Business Standards:** Besides accountability, the other principle in supremacy is transparency in business standards. If transparency is required, retailers must maintain their financial accounts in a fair and accurate manner. Besides, it should be in accordance with the accounting standards and financial reporting standards. This practice shall prove that the financial statements of the company are as per the generally accepted guidelines, principles, standards, laws and regulations of the nation in which they perform their business practices.

D. **Fair Competition:** In terms of facing competition, retailers must make sure that they do not involve themselves in any unfair business practices. They should conduct their activities in accordance with the business standards (Srivastava & Dixit, 2011).

E. **Like opportunities for workers:** Retailers should provide same level of opportunities to the entire workforce regardless of their social group, color, religion, heritage, marital status, gender, age, nationality or disability. In order to achieve this motive, diversity and equality should be promoted in human resource policies of the business, as well as it should be in agreement with all local labor laws.

F. **Employee Rights and Respect:** Always treat others with professional respect and politeness Regardless of differences, positions, titles, ages, etc.
Workers should be taken care of with dignity and attempts should be made to make work surroundings free from all kinds of physical, verbal or mental harassments. Right to privacy, right to be heard, and equal opportunity for growth for all workers must be provided to them.

G. **Healthy and safe environment**: It is ethical enough for the retailers to provide a safe, healthy, hygienic working environment to their employees and workers. Wasteful use of natural resources should be prevented and enterprises should commit to improve the working environment.

4.3 **Stakeholder Representation**

Retail enterprises should provide for equal representation to all stakeholders, at appropriate discussions. This facility should be provided to indirect stakeholders also like the public and third party. All information should be disclosed to the stakeholders as per the requirement.

4.4 **Ethics in business**

Some commentators, such as Milton Friedman, believe that the "primary and only responsibility of business is to make money." But a business also has some responsibilities towards the society instead of making money. To fulfill those responsibilities a business must be ethical. An ethical business can also get some benefit as following:

- **Construct Customer Loyalty**
  A business may take the consumer’s advantage once, but if they find themselves treated unfairly, such as by being overcharged, they will not be repeat customers. Having a loyal customer base is one of the keys benefit for long term. Being ethical, business does create a more positive image in market, which can bring in more customers through word-of-mouth referrals. Conversely, unethical dealings hurt the business’s chances to obtain new customer.

- **Retain Good Employee**
  Businesses that are fair and open in their dealings with workers can retain their most talented people. Workers who do not believe the paying policies are fair are often not as dedicated to their jobs as they could be.

- **Positive Work Environment**
  In ethical environment, employees work as team rather than as individuals (Srivastava & Kakkar, 2008). They develop positive relationships with
coworkers. Their managers trust them with confidential information and they are often given more autonomy as a result. In extreme cases, with poor ethical environment workers theft such as restaurants whose employees steal food from the storage locker or freeze?

- **Avoid Legal Problems**
  
  If retailers do not fully obey rules and regulations and using unfair means like child labor, ignoring worker safety risks or selling low quality products they can be caught by the law. For being unlawful they have to pay penalties including legal fees and fines or sanctions by governmental agencies. This resulting negative publicity which can damage the business’s reputation that is even more costly than the legal fees or fines. Retailers that maintain the highest ethical standards can avoid the legal problems.

  If we view the whole picture, we can easily identify that any business/ retail business have three types of stakeholder- Business Owners, Customers and Government. Business owners also try to play ethical and safe games for maintaining their brand value in the market. They develop and motivate their employees to work ethically in a healthy environment. If we take customer’s view point, they also expect fair and ethical treatment in all kind of purchases. This is the prime duty of retailers and front line employees to maintain and adhere to ethical norms and values for maintaining brand value of the organization. Government always ensures that the business should run under the purview of law and ethics. For assuring ethical business, government form rules, regulations and code of conduct. To summarize, we can say that all stakeholders are seriously concerned with ethical and moral values to maintain their organizational effectiveness. This will lead to customer satisfaction and long term stability in the business.

5. Conclusion

We have found through above discussion that ethics are a set of standards for judging right from wrong. In other words, we can easily comprehend from the above discussion that all activities should be undertaken fairly and honestly in the decision making process. On the business front, it refers to fair and honest competition, without misrepresentation, and working within the boundaries of the law. From the above study, we have found that business ethics have a crucial role to play in retail business. At present, when big retail chains are capturing a huge share of market only business ethics can help small retailers survive in a competitive business environment because if a small retailer act consistently as per the Codes of Conduct and Ethics values, he will create a foundation of trust with his customers. After-all the customer is the most significant element of business. The formula of American “myth of success” was there in the past, it is there in the present, it will be there in the times
to come as well. This mad race of overpowering others sometimes gives less
importance to ethical considerations, which sometimes appear armchair philosophy
in the world of business.

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