

A Study on Ethical Practices and Decision-Making Among Business Organizations in Chennai City

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Submitted: September 30, 2025 Revised: October 15, 2025 Accepted: October 31, 2025 Published: November 03, 2025

DOI: [10.5281/zenodo.17533082](https://doi.org/10.5281/zenodo.17533082)



Abstract

Business ethics is concerned with detecting the proper guidelines of wrong and right as they pertain towards conduct inside and between business entities and further associated establishments. Occasionally, business firms engage in unethical practices, which can negatively impact individuals or the environment. Such unethical conduct arises from intricate interactions among persons, groups, and administrative values. Ethical conduct is characterized by actions that are generally beneficial for business and demonstrate adherence to essential moral principles, including morality, fairness, impartiality, dignity, diversity, and individual rights. Although unethical behavior might offer short-term advantages to a company, it ultimately undermines stakeholder support in the long run. Achieving enduring sustainability requires focusing on the three critical aspects: communal, conservational, and monetary performance.

Keywords: *Business Ethics, Ethical Principles, Sustainability, Ethical Decision Making*

1. Introduction:

Ethics, one of the earliest areas of study, explores morals, values, and principles. Often referred to as moral philosophy, ethics addresses, regulates, and upholds notions of wrong and right conduct. It pursues to purpose queries about human morality by defining terms moral besides immoral, wrong besides right, quality and iniquity, righteousness and wrongdoing, and justice and injustice. Modern ethics is the first discipline to establish consensus on human interactions and evaluate behavior based on widely accepted standards. Business ethics primarily involve negotiating with partners and employing ethical competition strategies. In many countries, business ethics are considered uniform for all entrepreneurs. There are various forms of business ethics, which apply not only to a company's dealings with the public but also to individual consumers. Profit-driven businesses are not inherently problematic. The issue arises from the ethical conduct of certain companies. Even if a company generates millions in sales, does it adhere to ethical business practices, and does anyone care? Numerous restaurants and soft drink companies have been repeatedly fined for unethical conduct. If a company is highly profitable, it might not prioritize ethical performance. Several well-known companies have stood penalized millions for violating moral professional standards. Numerous businesses have faced hefty fines for breaching environmental and ethical regulations. However, the profits these companies earn surpass the penalties they incur. The substantial profits make these firms indifferent to their unethical practices.

2. Objectives of the Study

- To delve into the importance of ethics in business decision-making, with a particular emphasis on how entrepreneurs incorporate these principles

- To investigate how entrepreneurs should incorporate ethical considerations when making decisions
- To understand the role of business ethics in decision-making processes
- To evaluate the key elements that influence ethical decision-making within organizations
- To determine the impact of ethical practices on an organization's performance and reputation

3. Significance of the Study

Making ethical decisions builds trust and confidence by emphasizing accountability, responsibility, and consideration for others. The process of making ethical choices involves identifying situations and contexts that require evaluating all possible options, discarding unethical viewpoints, and selecting the most ethical option. Decisions that are both moral and beneficial are effective and ethical. In professional relationships, a well-considered decision fosters respect and trust and generally aligns with the principles of good citizenship. Decisions are considered effective when they achieve their intended purpose. The key to making a good decision is to consider the various options available to achieve the desired goals. Ethical decision-making requires sensitivity to ethical issues and a method for examining all factors associated with a decision. Therefore, having a method, process, or framework for making ethical decisions is crucial.

4. Literature Review

Ferhani (2025) explored the link between leadership and business ethics, proposing a framework for responsible management. This research examines and assesses leadership styles in an ethical framework, highlighting their commonalities and distinctions. It contributes to scholarly debates by introducing a strategic model that integrates ethical leadership with corporate governance and sustainable organizational achievement. The study provides practical guidance for business leaders to cultivate ethical organizational cultures while maintaining competitiveness. By connecting theoretical ideas with managerial practices, the research enhances both academic inquiry and business operations.

In their research, (DeTienne, 2021) DeTienne, K. B., Ellertson, C. F., Ingerson, M. C., & Dudley, W. R. observed a significant increase in interest in behavioral ethics, emphasizing the moral judgment-action gap as a primary issue. This gap refers to the inconsistency between understanding the correct action and acting inappropriately. Although psychologist Lawrence Kohlberg's cognitive model of moral development is foundational for much of this research, it does not fully explain this gap. The study provides a critical review and analysis of relevant literature, examines current moral decision-making in business ethics, identifies research gaps, and suggests possible future research directions. It offers theoretical context, critical evaluation, and research guidance for management scholars.

5. Research Methodology

In this study, an exploratory research design is utilized to delve into the influence of business ethics on decision-making among entrepreneurs in the Chennai area. A qualitative methodology was predominantly used to explore the perceptions, experiences, and ethical considerations of business proprietors. Data collection was carried out through a structured questionnaire, which served as the primary tool for the survey. This questionnaire comprised both closed-ended and open-ended questions aimed at capturing essential variables related to ethical practices and decision-making processes. The survey targeted entrepreneurs and small business owners in selected areas of Chennai. The sampling strategy ensured representation from various sectors to gather a wide range of perspectives. Analyzing the data facilitated a meaningful interpretation of the results, leading to well-informed conclusions and recommendations. These findings enhance the understanding of how ethical considerations impact business decisions.

6. Data Analysis and Interpretation

Data analysis helps us understand the information collected from businesses in Chennai. It shows how often certain ethical practices are followed and how decisions are made. We use analytical tools like percentage analysis and chi square analysis. This helps us see what is going well and what needs improvement. The results guide us to give useful suggestions for better ethical practices.

(a) Percentage Analysis

Table 1: Showing Distribution of Respondents by Nature of Business

Nature of Business	Frequency	(%)
Sole Proprietorship	22	33.80%
Partnership	12	18.50%
PVT LTD. Company	20	30.80%
PLC	6	9.20%
Others (please specify)	5	7.70%
Overall	65	100%

The data displays that the mainstream of respondents (33.8%) operate as sole proprietors, indicating a strong presence of individually owned businesses. Private limited companies follow closely at 30.8%, reflecting a significant portion of formalized business structures. Partnerships account for 18.5%, while public limited companies are less common at 9.2%. A small portion (7.7%) falls under other business types. This suggests that most businesses in the sample are either independently owned or privately incorporated.

Table 2: Exhibiting Business Experience of Respondents by Years in Operation

Years in Business	Frequency	Percentage
< 1 year	6	9.20%
1-3 years	14	21.50%
4-7 years	20	30.80%
8-10 years	12	18.50%
> 10 years	13	20.00%
Overall	65	100%

The outcomes point to those utmost respondents (30.8%) been running their businesses for 4–7 years, suggesting a stable and experienced group of entrepreneurs. Around 20% have been in business for more than 10 years, showing long-term establishment. Newer businesses, operating for less than 1 year, account for only 9.2%, indicating limited recent startups in the sample. Overall, the data reflects a well-distributed mix of both emerging and established businesses.

Table 3: Showing Consideration of Ethical Implications in Critical Business Decision-Making

Response	Frequency	Percentage (%)
Always	28	43.10%
Often	15	23.10%

Sometimes	12	18.50%
Rarely	6	9.20%
Never	4	6.10%
Total	65	100%

A majority of respondents (43.1%) reported that they always consider ethical implications when making critical business decisions, while another 23.1% said they do so often. However, 15.3% (Rarely + Never) rarely or never consider ethics, indicating that while ethical consideration is a priority for most, there's room for improvement among some organizations.

Table 4: Showing Employee Comfort in Reporting Unethical Behavior

Response	Frequency	Percentage (%)
Yes	22	33.80%
No	28	43.10%
Planning to implement	15	23.10%
Total	65	100%

Just over half of the respondents (52.3%) believe their employees feel comfortable reporting unethical behavior without fear, suggesting a moderately strong ethical climate. However, 27.7% responded “No” and 20% were unsure, indicating that trust and protection mechanisms may need strengthening in some organizations.

(b) Chi-Square Analysis:

Table 5: Showing Chi-Square Analysis of Factors Influencing Ethical Decision-Making

Influencing Aspect	Observed Frequency(O)	Expected Frequency(E)	(O-E) ² /E
Leadership Example	50	38	3.79
Company Policies	40	38	0.11
Legal Compliance	25	38	4.45
Peer Behavior	30	38	1.68
Personal Values	45	38	1.29
Total	190		11.32

Degrees of Freedom (df): 4 Critical Value at 0.05 significance: 9.49 Chi-Square Statistic (χ^2): 11.32

Chi-square test shows there is a substantial variation in the influences on ethical decision-making among respondents ($\chi^2 = 11.32, p < 0.05$). This implies that not all factors are equally considered. Leadership example and personal values were more frequently cited as key influences, while legal compliance was

less frequently mentioned. This suggests that internal leadership culture and individual ethics play a greater role in guiding ethical behavior than formal rules or peer influence.

Table 6: Showing Chi-Square Analysis of Conflict-of-Interest Handling Practices Among Business Respondents

Response Selection	Observed(O)	Expected(E)	(O-E) ² /E
Follow a set protocol	28	16.25	8.56
Consult legal/ethical advisor	12	16.25	1.11
Use personal judgment	15	16.25	0.1
Not addressed specifically	10	16.25	2.4
Total	65		12.17

The calculated Chi-square value ($\chi^2 = 12.17$) is > than the critical value (7.815), suggesting a statistically substantial difference in how respondents address conflicts of interest ($p < 0.05$). This suggests that the respondents do not equally prefer all options. The majority follow a set protocol, while fewer rely on legal/ethical advice or admit that it is not addressed. Organizations may benefit from reinforcing formal conflict-of-interest handling practices and providing ethical guidance support.

7. Ethical Principles in Business

In the realm of business performance, there are specific principles grounded in ethical conduct, and the list of ethical principles in business includes the following:

- **Principle of Conscience:** This principle emphasizes the individual's inner sense to discern right from wrong. Businesspeople can use this to evaluate various traits and behaviors at their level.
- **Principle of Wish-less Work:** This principle stresses that tasks should not be performed solely for self-interest. Consequently, we should engage in roles and behaviors that prioritize the interests of others. We should be committed to working for the benefit of others.
- **Principle of Esprit:** Entrepreneurs should focus on providing the best possible services and strive to enhance dedication and morality in their services. All actions should be guided by morals and a service-oriented mindset in business.
- **Principle of Publicity:** All business-related activities should be transparently communicated to everyone directly or indirectly involved with the business. Its purpose is to eliminate uncertainty and misunderstandings among people.
- **Principle of Purity:** It is crucial for entrepreneurs to practice politeness, truthfulness, and tolerance to cultivate a state of calmness. Calmness and purity also foster politeness and patience.
- **Principle of Humanity:** Entrepreneurs should incorporate moral values, decorum, and human aspects into their policies, programs, and work environments. Ethical behavior can define the path of morality and humanity.
- **Principle of Commitment:** Entrepreneurs should fulfill their commitments and promises to others. The execution of commitments should be grounded in morality and responsiveness.
- **Principle of Rationality:** Businesspeople should evaluate the moral or immoral aspects of their transactions and daily operations based on an ethical code of conduct. All business owners must adopt a logical mindset and behavior.

- **Principle of Communicability:** This principle states that business organizations should have effective communication with both internal and external parties. Clear and well-reasoned communication is essential.
- **Principle of non-Cooperation in Evils:** Every businessperson must discourage misconduct, evils, and unethical behavior, not only with clients but also within society.
- **Principle of Cooperation with Others:** Ethical standards encourage a sense of association and team spirit. Businesspeople should fully cooperate with others based on their capacity and available resources, adhering to good conduct and value-based behavior.
- **Principle of Satisfaction:** Every businessperson is required to enhance their actions to create pleasure and happiness for others and society at large. Particularly in business, consumers should feel satisfied with products and services at every stage.

8. Ethical Problems in Business

In the global business environment of the twenty-first century, organizations of all sizes encounter a variety of ethical challenges. These companies are tasked with the duty of creating and upholding high ethical standards and codes of conduct that all employees are expected to adhere to. Upholding integrity and honesty, which are essential for building trust and confidence, are key ethical considerations in the business world. More intricate issues include embracing diversity, making compassionate decisions, and ensuring compliance and governance that align with a company's core moral and ethical values. At times, it becomes evident that a company has engaged in unethical activities, such as illegally selling products, falsifying financial records, or embezzling client funds. More frequently, ethical dilemmas occur when there is a conflict between right and wrong or between morals and obligations, necessitating a decision. For example, in regions where job growth is crucial, there is a tension between the benefits of economic prosperity and the preservation of the area's natural beauty. Given the growing societal influence of business, business ethics has emerged as a distinct field. Business ethics focuses on understanding the moral principles, beliefs, ideologies, and philosophies that allow us to evaluate businesses based on their impact on people and the environment. Common ethical issues in corporate settings include:

- **Human Resource Glitches:** It involves the fair and equitable dealing of current and potential workforces. Unethical actions in this area includes discrimination based on gender, race, religion, faith, cultural background, and more.
- **Conflicts of Interest:** Certain personalities, groups, or establishments receive preferential behavior due to personal relationships with decision-makers. A business might secure a favorable agreement because a inducement was compensated to the contracting organization's administrative team, rather than due to the quality of its proposal.
- **Ethical Complications Involving Patron Confidence:** Businesses occasionally act in a way that display disrespect for consumers or disregard for public welfare, such as misleading advertisements or concealing negative information about product security and effectiveness.
- **Ethical Issues Regarding the Practice of Corporate Resources:** Employee's those who misuse corporate resources may make personal calls during work hours, accede incorrect expenditure reports, take concern's stationery supplies home, and more. Several of these ethical challenges have been linked to financial scandals that have recently shocked the corporate world. In these scenario, higher officials engage in fraudulent accounting, making businesses appear more economically successful than they stand, thereby increasing shareholder value. Those who manipulate the accounts are among the beneficiaries. Issues related to the use of global environmental resources are another category that can be included in this list. Many companies have recognized the costs associated with their negative environmental impact, implying that they do not bear the financial burden of the environmental damage they cause. In general, sustainability refers to a company's capacity to satisfy existing demands

and requirements deprived of endangering the capability of forthcoming generations to satisfy their peculiar needs and desires.

- **Why Is Ethical Behaviour Essential for Business?**

Conducting business with integrity offers numerous advantages, including the facility to fascinate and retain customers, clients, workforces, and investors. When a firm clearly communicates its values and commits to ethical and responsible practices, it reassures shareholders that their investments align with their moral values. Employees at such companies feel confident that they are not enabling unethical practices through their actions or inactions. Customers are more likely to purchase from a business they trust to ethically source its labor and materials. Additionally, a company that adheres to its ethical standards is less likely to incur penalties for unethical conduct or violate laws related to required behaviors, such as those concerning corrupt payments or environmental regulations. If an individual employee is found guilty of misconduct, the entire organization, its directors, and each employee may face fines. An organization's reputation is one of its most valuable assets and is difficult to rebuild once tarnished. Preserving this reputation requires honoring commitments, which may sometimes mean forgoing the most immediately profitable path.

- **Business Ethics Role in Decision Making**

The main role of business ethics is to ensure that both an organization and its workforces are held responsible for their actions and the effects these actions have on others, covering both external and internal conduct. It guarantees that industries and experts stay alert and conscious of the repercussions of their actions, enabling them to achieve success in a responsible manner. A key element of business ethics is overseeing behaviors that are not governed by legal regulations. Certain actions, although lawful, may still harm specific groups, such as employees, community members, and those impacted by a company's operations. By establishing a code of conduct, a firm self-regulate and assure proper behavior. Another function of business ethics is to uphold honesty and transparency. While many unethical actions are not against the law, they can often lead to illegal activities. Maintaining robust business ethics can similarly affect a company's success. By acting thoughtfully towards others, a business can improve its reputation within the community, society, and industry. Additionally, business ethics confirm that the influence held by large corporations is applied positively. Through a strong code of conduct, a organization can address potential harm instigated by its accomplishment and even take proactive steps to assist others. Additional function of business ethics is to ensure that the authority exercised by huge business organizations is used effectively. By a solid code of conduct, a firm can work on to mitigate potential harm triggered by its accomplishment and make active efforts to help others. Once making pronouncements, an ethical establishment will deliberate and evaluate how its actions will impact all stakeholders. The values and beliefs are although it is legal for a business to act in its own finest long-standing interests, it's ethical to similarly ponder the needs of Business Nature.

9. Findings of Study

- Among the respondents, a significant portion operates as sole proprietors (33.8%) or private limited companies. Additionally, 30.8% indicate a prevalence of individually owned and privately incorporated businesses. A substantial number (30.8%) have been in operation for 4–7 years, while 20% have been running for over a decade, reflecting a blend of stable and seasoned enterprises.
- Ethics are always or often considered in business decisions by 66.2% of respondents, though a small segment rarely or never does, suggesting areas for ethical enhancement. About 52.3% feel that employees can report unethical behavior without fear, whereas 47.7% either disagree or are uncertain, highlighting the need for improved trust and protection mechanisms.

- Leadership and personal values are major influences, with less focus on legal compliance, underscoring the stronger impact of internal ethics over external regulations. A notable difference was observed in conflict resolution, with most adhering to a protocol. Consequently, the findings indicate a necessity to bolster formal procedures and ethical support systems for those who advocate for them.

10. Suggestions

In order to promote the sustainable integration of ethical practices within organizations, the following strategies are advised: Organizations should offer regular ethics training to assist employees in recognizing and addressing ethical dilemmas. Organizations should develop and disseminate a clear code of ethics that reflects their values and objectives. Organizations should ensure that leaders exemplify ethical behavior to serve as positive role models for all employees. Organizations should implement secure and anonymous systems for reporting unethical behavior. Organizations should acknowledge and reward ethical conduct to foster a culture of integrity.

11. Conclusion

Ethical decision-making involves making choices based on a set of values or principles, while also incorporating knowledge and analysis. The organization's beliefs and values define what those principles are. Although other factors may influence how the organization applies these principles to its decisions, ultimately, the decision should be guided by what the organization believes is the best course of action, in alignment with corporate governance practices.

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