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# **BUSINESS ADMINISTRATION IN INDIA**

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## **A Note on Business Ethics in Indian Contexts**

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### **Abstract**

This article presents some aspects of business ethics in Indian contexts. Presenting a brief descriptive definition of business ethics, the article focuses on personal and professional ethics, business and profit making, business ethics and business policies, financial dealings, unethical practices, and politics and business ethics in Indian contexts.

**Keywords:** business ethics, Indian contexts, profit making, business policies, politics, unethical practices.

### **Ethics - An Integral Part of Every Human Society**

Societies with long history often have literature on the need to follow ethics in day to day life/living of the individuals, families, etc. Religious texts include discussion and modes of practice of ethics. For example, Tamil, which is used in day to day life with an uninterrupted history of thousands of years, has a long list of literary works dealing with ethics. Communities which do not have any writing system, or which have acquired/developed writing system in recent decades, are usually called pre-literate communities. They also have their own ethics and moral codes, etc. often through folktales, folksongs, etc. In other words, there is no human society which does not have, or which does not follow ethics of their own.

### **Dictionary Definition**

Dictionary definition for the word *ethic* is as follows:

1. The body of moral principles or values governing or distinctive of a particular culture or group: the Christian ethic; the tribal ethic of the Zuni.
2. A complex of moral precepts held, or rules of conduct followed by an individual: a personal ethic. <https://www.dictionary.com/browse/ethic?s=t>

### **Major Textbooks on Business Ethics**

There are several textbooks which deal with business ethics from globalization, modern economy and capitalist economy as well as socialist market economy (capitalist economy practiced in China). Take for example, *Business Ethics: Best Practices for Designing and Managing Ethical Organizations*, by Professor Denis Collins. The book is introduced to us stating

that the book “focuses on how to create organizations of high integrity and superior performance. Author Denis Collins shows how to design organizations that reinforce ethical behavior and reduce ethical risks using his unique Optimal Ethics Systems Model that outlines how to hire and train ethical employees, make ethical decisions, and create a trusting, productive work environment. Taking a practical approach, this text is packed with tips, strategies, and real-world case studies that profile a wide variety of businesses, industries, and issues.” Professor Collins states in his preface, “All organizations can be of high integrity. But doing so requires planning and effort because of competing pressures and human fallacies.” A succinct summary of challenge faced in framing and following business ethics.

### **Personal vs. Professional Ethics**

“Personal ethics refers to the ethics that a person identifies with in respect to people and situations that they deal with in everyday life.

“Professional ethics refers to the ethics that a person must adhere to in respect of their interactions and business dealings in their professional life.” <https://www.iaa.govt.nz/for-advisers/adviser-tools/ethics-toolkit/the-difference-between-personal-and-professional-ethics/>

### **Business and Profit Making**

When it comes to business activities and business administration, profit making plays an important role. In free economy conditions, profit making is not a crime, but processes that are used to make profit could be defined ethical or unethical. While supply and demand are important part of any business activity and an important function of the administration that leads, governs and guides such activity, social consciousness has an impact on such decision making processes.

### **Business Ethics and Business Policies**

Business ethics involves implementation of business policies. Presently such policies are publicly stated and are publicly available. When a company fails to follow its own publicly announced policies, the company is accused of being unethical. However, companies may also come forward to justify why they are/were not able to follow their own publicly stated policies.

### **Financial Dealings**

Financial dealings often come under ethical overview. Several leading industrialists and businesspersons in India are/were accused of unethical practices which led to the collapse of companies. One of the earliest accusations in Indian corporate history is against Haridas Mundhra who managed to influence Life Insurance Corporation of India to invest large amounts in his companies, which were collapsing. LIC’s investment committee was not consulted. This happened in 1957. (<https://thelogicalindian.com/news/independent-indias-first-big-financial-scam-mundhra-scandal/?infinite-scroll=1>)

Life Insurance Corporation of India also came into being because of accusations and investigation against fraudulent practices of private insurance companies. 245 private insurance companies, both Indian and foreign, were nationalized to form Life Insurance Corporation of India in 1956 ([https://en.wikipedia.org/wiki/Life\\_Insurance\\_Corporation](https://en.wikipedia.org/wiki/Life_Insurance_Corporation)). Unethical practices could be the same as the criminal practices.

### **“Unethical Practices”**

In recent decades, “unethical practices” pursued in Government transactions relating to purchase of equipment, airplanes, military ware, etc., were/are being heatedly discussed in newspapers, TV news, in the Parliament and State legislatures. Rafale fighter jet purchase controversy was raised recently (<https://economictimes.indiatimes.com/news/defence/all-you-need-to-know-about-the-rafale-deal-controversy/probe-dismissed-raga-cleared/slideshow/72051095.cms>, “Everything you need to know about the Rafale deal controversy”). In such controversies, ethical questions are used for political discussions and advantages and disadvantages. One may be tempted to ask whether such efforts themselves come under ethical question!

### **Personal Ethics - Individual Belief and Morality**

Individual’s belief in and vision of morality, right and wrong may be considered as constituting personal ethics. While there may be some common elements of morality, right and wrong in the belief among individuals, there may also be qualitative differences. Often religious values may guide individual morality and the notions of right and wrong. At the same time, individuals may also get out of their own religious specific values and go in for more universally accepted values. Corporate ethics is often based on modern universally accepted values.

### **Corporate Ethics**

Corporate ethics could be both specific and written as well as general and non-written codes. Every shop owner has his or her ethics and he or she tries to follow the same consciously and/or unconsciously in their day-to-day business operations. Get into any store in a Mall. You will notice the system in operation in that store. Negotiations, bargains, conversations, description of the product offered for purchase, and so many other items come into display in any single business step. All these are an integral part of the ethics of that store.

Established stores with long history of business transactions have written codes of conduct for both the workers and the customers. All these form part of the ethics of the business owner and what ethics is expected from their customers.

### **Business Regulations**

Business regulations enacted by the legislatures will usually be part of the ethics. Social ethics is emphasized by such regulations -- such as cleanliness, treatment of the disabled, avoidance of caste discrimination, religion and gender discriminations, etc.

### **Ethics, Crime and Punishment**

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A Note on Business Ethics in Indian Contexts

Ethics, Crime and Punishment are closely interrelated. However, implementation of rules and regulations, which certainly form part of the preservation of ethics in business, somehow may or may not link these three together. For example, more often than not, we come across cases where individual scholars have paid huge sums to the decision makers to get a suitable post in the government-run institutions, such as universities. Giving and taking “bribe” to get a job is almost taken for granted, even though individuals and communities may strongly argue in favor of ethics. In other words, there may be many social, historical and current socioeconomic contexts which come to define the notion of ethics in day to day life and in business.

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## **Franchise and Business Administration**

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### **Abstract**

Franchise is becoming popular in India among both new entrants to the business and those who have been in business for generations. For the new entrants is attractive because franchise offers one stop service to setup a new business. The Franchisor company itself sets up all the necessary interior and exterior and also guides them with needed documents and processes for the registration of the business according to existing laws. In this paper, a discussion on licensee-licensor model that still exists is presented. The notions of agents/agencies and chain stores are also briefly discussed. The paper focuses on the intricate business administration steps and relations involved in setting up a franchise in Indian contexts. A minimum guaranteed business will result in franchisee's prosperity through gradual progress.

**Keywords:** Franchise, Franchisee, Franchisor, franchise administration, chain stores, licensee-licensor, agency.

### **Family-owned Business**

Family-owned business is the most commonly found model in India. Street corner shops to large corporate businesses may come under this category. While the street-corner shops may not have their own formal trademarks, many family businesses create and use their own trademarks. Family-owned business could include other relatives and/or friends as owners of the business.

When families get divided, the business may be also divided or left to one of the dominant members of the family, with others getting compensation, etc. Recent history of the Ambani family is very significant for an understanding of the processes adopted in dividing family business, and to learn how one part of the original family prospers extremely well, while the other party continues to struggle to survive and prosper.

### **Street Corner Shops**

New businesses, especially street-corner shops, come into existence with individuals' initiative. A street corner shop may start as a source of livelihood, but soon it could go beyond the street corner function to serve the whole town.

## **Trademark and Agents**

Trademark is an important aspect of Indian businesses. The companies which produce popular consumer goods may or may not open their branches all over the state, etc. They may appoint sellers, often called as agents in the past, who alone would be authorized to sell these goods. Some agents may be appointed as the sole distributors of the goods. Trademark or brand name becomes very important when the product attracts customers in great numbers.

## **Most Prevalent - Branch or Chain Stores of the Same Business**

Many successful companies often open their own stores with their own brand and trademark. Such stores become chain stores of the company. The hotel chain Saravana Bhavan with headquarters in Chennai or Sri Annapoorna chain of restaurants in Coimbatore, Tamilnadu may be cited as examples. Saravana Bhavan has established its own restaurants all over the world. Sri Annapoorna chain of restaurants have a main kitchen in which some food items are prepared and distributed to its chain stores afresh. Another well-known chain in Tamilnadu is Salem RR Biryani. Every state and union territory in India has its own popular food chain stores.

Many residential hotels are run by the same company with the same or different names/trademarks, for example, the hotels run by ITC Hotels, Ltd. Establishments such as Sri Annapoorna may have a common kitchen for some items, but may not lend their name as a franchise to the other stores which may look or sound or even taste similar! But imitations flourish all over, not only in terms of the goods produced and sold but also through unlawful or closely unlawful name imitations of the businesses!

In most well established family businesses, retaining the brand name/trademark and preserving its family honor and privilege becomes very important.

## **Chain Stores**

Chain stores owned by families and friends of families have become very popular and have established their continuity with strong economic success. These often follow the Walmart model in some sense. They open stores in cities and towns with goods from all over the world and people with salaried income often become the customers of such stores. For example, Saravana Stores is a well-known chain of retail stores in Chennai and in some Tamilnadu cities, with plans to open such retail stores in major cities in several states. It is a family-owned business.

There are many success stories of businesses in India which cater to customers/consumers. These retail stores focus on families and individual customers, with a variety of goods for sale under single roof. Just as they retain the value of their trademarks. Franchises also depend on the popularity of the trademarks and the goods they produce and sell.

## Franchise

There are several types of Franchising. Among these franchises, the franchise type that focuses on product distribution/sale is most widely noticed. In the franchise process, an entrepreneur who seeks to open a store with the name and products of a company (**Franchisor**) is required to pay an initial fee to the franchisor. The entrepreneur (**Franchisee**) is also required to pay royalties every year which may be charged monthly. The franchisee uses the trademark established by the franchisor. He or she gets regular support from the franchisor. He or she will follow and use the method and process of doing business established and supervised by the Franchisor and sell the Franchisor's products or services.

Franchisors would have carefully developed their trademarks, business models, operations of the business, products, etc. and usually announce their system requirements explicitly in the public. The following links may be cited as examples:

<https://www.subway.com/en-IN/OwnAFranchise/FranchisingFAQs#a1>  
<https://www.vegetablemartfranchise.com/>

Like starting any business, getting a franchise and subsequent arrangements and organization do need money, often ready cash. Often the entrepreneur may be asked to find a location to start the franchise. The Franchisor will come and help arrange and organize the store. The franchisor supplies the necessary tool and other equipment, etc. However, depending upon the franchise the entrepreneur seeks, the amounts may vary for the franchise.

For example, Subway Sandwich corporation invites entrepreneurs to join their team in this manner: "Joining the Subway® team gives you the great opportunity to own your own business, but not just any business, a proven business with a low investment, simple operations, flexible floor plans, national and local support, national and regional advertising, a two week training program, ongoing learning for our owners and their staff, store development assistance, design support; lease negotiations, construction guidance and much, much more. The cost of getting the franchise is given as follows: "The investment can range from INR 6,098,000 to INR 11,979,400. This includes the initial franchise fee of INR 650,000." (<https://www.subway.com/en-IN/OwnAFranchise/FranchisingFAQs#a1>)

## Modern Popularity of Franchise Stores

Leading brands such as Subway, Burger King, McDonald's, KFC, etc. have become very popular in India. Customers come to these stores in Malls or in independent stores from long distance to enjoy the fast food offered by these franchises. In recent years, clothing sector seems to attract franchise forms of stores, for example, Peter England.

## Social Contexts

Following social/religious practices and compulsions these franchises do not offer pork and beef sandwiches, etc. This is yet another important characteristic of franchises. They strictly follow the social and religious compulsions of the countries in which they are located. Individual restaurants may have their own menu, which may or may not offer pork or beef, but franchises carefully follow the social and religious conventions not to offend customers, and to attract them to their stores.



We come across several franchise ice cream parlours both in Malls and as independent stores. These parlours cost less. For example, “a Naturals Ice Cream parlour franchise ranges from 12 to 20 lakh rupees (<https://cdacmohali.in/naturals-ice-cream-franchise/>).

### **Plentiful Variety of Goods**

Petrol bunks owned by individuals or families have been in existence in India as franchise long before the term *franchise* came to be used widely for licensor-licensee relations. In other words, franchising is not a new process or phenomenon in India. However, the kinds of products produced and sold to customers through modern franchising are unlimited. One of the more recent franchising effort is running a vegetable store as a franchise. <https://www.vegetablemartfranchise.com/> informs us “Vegetables mart is a place where you get all kinds of vegetables, foreign vegetables, fruits, milk, curd, butter, eggs, breads, frozen items. Vegetables mart has 70 plus stores in India.”

### **Business Administration**

For franchise stores, the products are supplied in different forms and different levels of finished products -- sometimes fully finished products, but many a time unfinished products that must be prepared by the Franchisee in the store daily as per the demand and need. Franchisee is expected to offer the finished product with the pre-established quality for all the franchise stores. Trademark for the product is established by the corporation. Rules and regulations for running the business are also established by the corporation. Assistance in terms of how the product, for example, sandwiches or cakes or ice creams, etc. must be produced and packed, what shall be the price for the product, are all provided by the corporation. Corporation officials are entitled to make visits and check whether the franchisee store follows their requirements adequately. They can also do the inspection without any prior notice and also incognito pretending to be a consumer or even as a government official.

In essence, business administration of a franchise is two-tiered: Franchisor’s administrative role that controls, guides and regulates the conduct of the franchisee as well as the store run by the franchisee. It includes financial matters as well. Secondly, the day to day administrative responsibilities of the franchisee to supervise and guide the employees and get work done by them to achieve customer satisfaction, maintaining the quality of the product, swift supply of the product to the customers, etc. Thus, the labour needs to be constantly trained and watched. Immediate presence of the entrepreneur Franchisee always helps the growth of the franchise store. It is also more profitable if the entrepreneur Franchisee herself or himself is part of the labour force supervising the labour as well as the preparation of the product, etc.

An important feature that may be forgotten or ignored is the communicative skill of the store employees as well as the franchisee. Success of a franchise depends on increase in the number of customers and how soon and how often they return to the store. Even as the quality of the

product has an important role to play in this, the work efficiency of the employees and how they treat the customers through their verbal and nonverbal behaviour are very important.

## To Conclude

To conclude, success of a franchise depends not only on the goods it intends to sell but also on the trademark or the brand of the goods it sells. In addition to these features, geographical location of the store is very important too. Also how the hall within the store where customers sit and enjoy the food is kept clean, neat and tidy is another important factor. As already pointed out, trained labour and their communicative skills also will help achieve success and maintain the solid income the franchisee expects from the franchise.

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## **Tim Cook and His Business Administration**

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### **Abstract**

This paper presents some of the major features of the Apple, Inc. CEO Tim Cook's leadership, his business entrepreneurship and business administration. Tim Cook joined Apple, Inc. as Senior Vice-President for Worldwide Operations in 1998. Later he served as Executive Vice-President for Worldwide Sales and Operations. When Steve Jobs became sick, he was appointed CEO of Apple, Inc. Tim Cook and Apple Inc. are these days interchangeable and he is seen as the Face of Apple, Inc. Maintaining the quality of the product even through Outsourcing production of Apple products, growing the demand for Apple products, maintaining supply almost short of the demand in progress, creating expectations in the prospective customers, strengthening of social prestige through the possession of Apple devices are some interesting ways Tim Cook's business administration employs to achieve success in business.

**Keywords:** Tim Cook, Apple, Inc., business strategies. Outsourcing, supply-demand.

### **Timothy Donald Cook**

Timothy Donald Cook (Tim Cook) is the Chief Executive Officer of Apple Inc. He was born on November 1, 1960 in Mobile, Alabama. His father was a shipyard worker and her mother worked in a pharmacy store. He has a Bachelor of Science in Industrial Engineering and an MBA degree ([https://en.wikipedia.org/wiki/Tim\\_Cook#Early\\_life\\_and\\_education](https://en.wikipedia.org/wiki/Tim_Cook#Early_life_and_education)). Tim Cook worked for IBM for over ten years. After this, he worked as a Vice-President for Corporate Materials for a very short time, less than a year in Compaq, a leading computer manufacturing corporation at that time. He was interviewed by Steve Jobs, the cofounder and the CEO of Apple, Inc. in 1998.

### **Trust-worthy, Imaginative, Dynamic Co-worker**

Tim Cook joined Apple, Inc. as Senior Vice-President for Worldwide Operations in 1998. Later he served as Executive Vice-President for Worldwide Sales and Operations. When Steve Jobs became sick, he was appointed CEO of Apple, Inc. Tim Cook performed as a very reliable, trustworthy, constructive, imaginative and dynamic assistant and associate of the founder of Apple, Inc. Steve Jobs. Tim Cook and Apple Inc. are these days interchangeable and he is seen as the Face of Apple, Inc.; so much is the high impact of Tim Cook on Apple, Inc. Leander Kahney

(2019) suggests that the following features were ingrained in Apple Inc. by Tim Cook: accessibility; education; environment; inclusion and diversity; privacy and security; and supplier responsibility.

### **From PC Domain to Apple - Seeking Purpose with Purpose in Heart**

Looking back into his career, his leaving IBM or leaving Compaq Inc. to join Apple Inc. might look like poor career decision at that time. IBM has been and continues to be a very prestigious organization. In the past, IBM dominated the computer service and manufacturing. Apple was facing financial and other difficulties. To leave PC dominated domain to Apple was unthinkable. The reason for this was that he was greatly impressed with the work of Steve Jobs. He looked forward to helping Apple to resurrect itself, a challenge but he considered it a great purpose for him.

### **Adoration for Steve Jobs**

Later, he narrated his personal experience in this manner, in his convocation address in Stanford University in 2019:

“When Steve got sick, I had hardwired my thinking to the belief that he would get better. I not only thought he would hold on, I was convinced, down to my core, that he’d still be guiding Apple long after I, myself, was gone.

“Then, one day, he called me over to his house and told me that it wasn’t going to be that way.

“Even then, I was convinced he would stay on as chairman. That he’d step back from the day to day but always be there as a sounding board.

“But there was no reason to believe that. I never should have thought it. The facts were all there.

“And when he was gone, truly gone, I learned the real, visceral difference between preparation and readiness.

“It was the loneliest I’ve ever felt in my life. By an order of magnitude. It was one of those moments where you can be surrounded by people, yet you don’t really see, hear or even feel them. But I could sense their expectations.” (<https://news.stanford.edu/2019/06/16/remarks-tim-cook-2019-stanford-commencement/>).

These words clearly reveal his admiration, love and obedience and dedication to Steve Jobs and his work and leadership. These words also show how sad he became. Indeed, these words are couched with deep emotions.

## **Resurrecting Apple Through Outsourcing**

Resurrecting Apple was not that easy. A totally new approach and worldview was necessary. A major approach adopted by Tim Cook was to close factories in USA that manufactured Apple products and to outsource production in China which would drastically cut down the cost of production of Apple products.

When Tim Cook was doing his MBA, Reagan was the 40th president of the United States from 1981 to 1989. It is possible that Tim Cook as an enterprising, ambitious and imaginative worker could have been impacted by Reagan's monetary economic policy. Starting with President Richard Nixon, successive Presidents of the United States, sought better relations with China. President Reagan's monetary economics encouraged U.S. industries and businesses to look for reducing cost of production and increasing profit and making US dollar extraordinarily powerful.

## **Open Door of China**

The era of Chairman Mao Zedong and his Cultural Revolution, etc. was dwindled and under Deng Xiaoping (who became the paramount leader in 1978), China's goal focused on agriculture, industry, defense, and science and technology in China. He decentralized economic management. (<https://www.britannica.com/biography/Deng-Xiaoping>, [https://en.wikipedia.org/wiki/Four\\_Modernizations](https://en.wikipedia.org/wiki/Four_Modernizations)). He inaugurated the Open Door policy which opened up China to foreign businesses that wanted to invest in the country.

Rivalry and enmity between Soviet Union and the United States encouraged US policy makers to help China by taking part in the Open Door. However, we need to remember that for ages Chinese were skillful businessmen within and outside China. The Qing Dynasty Emperor of China entered into an agreement with the United States of America in 1844 for peace, amity and commerce. ([https://en.wikipedia.org/wiki/Treaty\\_of\\_Wanghia](https://en.wikipedia.org/wiki/Treaty_of_Wanghia)) In other words, it would be no surprise if Timothy Donald Cook, an enterprising MBA, had carefully looked into China and how outsourcing for Apple products in China would help his company.

## **Focusing on Manufacture of Apple Products in China**

Tim Cook focused on outsourcing manufacture of Apple products in China. It was not simple outsourcing. It included Design and Quality Control, manufacturing speed, flexibility, and sheer capability (<https://www.outsourceaccelerator.com/articles/apple-steve-jobs-opinion-of-outsourcing/>).

Possibly Tim Cook also shared/shares the hope of his mentor Steve Jobs: "Former Apple CEO Steve Jobs believed that jobs could be created in the United States even though his company's major manufacturing base was overseas. His firm faith in this synergy came from an understanding that the United States would only benefit from a strategic outsourcing

strategy.”  
[outsourcing/](https://www.outsourceaccelerator.com/articles/apple-steve-jobs-opinion-of-outsourcing/)

<https://www.outsourceaccelerator.com/articles/apple-steve-jobs-opinion-of-outsourcing/>

### **The Plan of Controlled Production**

Another feature of outsourcing initiated by Tim Cook was “controlled production”. Quantum, the variety and the time of release of products are all well-controlled under Tim Cook’s business administration.

When Tim Cook took the leadership and initiative for outsourcing Apple products, he also closed the warehouses. In some sense, no more grand and overwhelming stockpiling of Apple products.

### **Predicting Sales, Subconscious Desire, Creating Social Prestige**

An important feature of Tim Cook’s business administration includes not only creating a demand for Apple products, but also predicting sales. This skill in predicting sales helps Apple to tell the world that their new product is sold out on the first day of its entry into the market.

Great psychological expectation is generated in people who want to “possess” Apple products. Subconscious desire to go in for the newest model before others is often the common experience here. In addition, social prestige is also generated for those who possess Apple products.

Apart from technical quality and newness of models, well-controlled production becomes an integral part of outsourcing here.

### **Superiority of the Technical Aspects and Easy to Use Facility**

All these cannot last but for the superiority of the technical aspects of the products and the ease with which people can use the products. Price (higher cost of the product in the market) does not seem to play any role here at least for now. Prediction of demand is very seriously dealt with just as the quality control of the product as well as the time projected for the completion of projects. Investment in long-term technology developments is a chief feature of Tim Cook’s leadership right now.

### **To Conclude**

To conclude, Timothy Donald Cook is highly focused on his company even as he is engaged in encouraging job creation in the United States (<https://www.foxbusiness.com/technology/apple-tim-cook-trump-jobs>). With its well-settled and disciplined work force and devoted management in China, Apple may not leave its production

facilities in China and return to the United States, it appears. In addition, Tim Cook's business administration would ensure control over their brand.

Take for an example, Tim Cook refused to accept India Government's requirement that Apple, Inc. should take an Indian Partner if they want to run their own store and business in India: "We didn't want to do that. We want to maintain control over our brand," Cook said. "The [USA, President Trump] administration worked on this with the Indian government, and that change has been made, so we are very, very positive about entering in online this year and retail next year." (<https://www.foxbusiness.com/technology/apple-tim-cook-trump-jobs>).

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