Chapter 2

INTRODUCTION TO BUSINESS ETHICS

2.1   MEANING AND DEFINITION OF BUSINESS ETHICS:

Business ethics refers to the application of everyday moral or ethical norms to business. It requires an awareness of how the products and services of an organization and the action of its employees, can affect its stakeholders and society as a whole, either positively or negatively. Business ethics is applied ethics. It is the application of our understanding of what is good and right to those assortments of institutions, technologies, transactions, activities and pursuits that we call business.

According to "William Shaw" business ethics is the study of what constitutes right and wrong or good and bad human conduct in business context. Thus, business ethics deals with morality in business environment. It involves moral judgment based on understanding of the society. It extends beyond the legal questions and involves goodness and badness of an act.

2.2   NATURE OF BUSINESS ETHICS:

Business ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations. To understand business ethics, it is necessary to know its important characteristics. These are:

❖   Related to human aspects and conduct of business.

❖   It is as old as human civilization and deep rooted to society.

❖   It develops dignity to stakeholders.

❖   Lays support to social welfare functions.

❖   Provides code of business conduct and basic functional frame.

❖   Acts as guiding principles of business.

2.2.1   Objectives for Business Ethics:

We need to study business ethics to make better decisions for ourselves, the businesses we work for and the society we live it. The key objectives of Business ethics can be stated as below:

(1) **Acts as moral standards:** Business Ethics evaluates human practices by calling upon moral standards, also it may give

prescription advice on how to act morally in a specific kind of situation

(2) **Developing socially responsible and conscious business:** Ethics point out what is good and bad, so also what is right or wrong. It brings to the notice of the business community the importance of honesty, sincerity and fairness which makes them alert and socially conscious. This also expedites a better relation between business and the society.

(3) **Principles for Business conduct:** In conduct of their activities business firms are expected to honour social rights, justice, equity and fairness. Business ethics provides a set of moral principles which should govern the conduct of business. These moral principles help business people to judge the social consequences of their decisions and actions.

(4) **Reconcile conflicting interest:** Business ethics will reconcile conflicting interest of various sections of the society such as workers, shareholders, consumers, distributors, suppliers, competitors and government. In the final analysis, it resonates that the business ethics help the business and the society at large.

(5) **Resolve Ethical Dilemma:** Business ethics provides therapeutic advice when facing the present dilemmas and future dangers.

(6) **Social contract:** Business ethics lays foundation to social contract. There is a 'social contract' between society and shareholders, under which society bestows upon business firms the authority to own and use its natural and human resources. In return society expects that productive organizations will enhance the general interests of consumers, employees and community.

(7) **Stressing the business responsibilities:** Business Ethics is much needed to stress the importance of sustainability, social development, stakeholders, consumer satisfaction and service orientation in place of profit orientation.

2.3   IMPORTANCE OF ETHICS IN BUSINESS:

In general, ethical behaviour is becoming increasingly significant in business due to the following reasons:

❖ **Moral Consciousness:** Moral Consciousness leads the businessmen to avoid adulteration, over charging, spurious goods, black marketing, false advertising etc. Long before such practices were declared illegal by the law.

❖ **Self-interest:** Ethical business conduct is in the self-interest of businessmen in long run. Goodwill, sales and profits of the business enterprise will increase, if businessmen serve then customers with good quality and fair prices reward then shareholders with good dividends, pay taxes honestly, treat their employees with respect and dignity.

❖ **Environmental pressure:** Environment pressure has made many businessmen realize that they use resources which belong to society and they must discharge their social obligation through ethical behaviour and must adhere to social values. Green companies resolves environmental issues.

❖ **Legal imperative:** Laws reflect ethical conduct and businessmen must follow them. If businessmen disobey laws and regulation of government, they are surely to lose their power, prestige and their survival will be in danger.

Business ethics can be important tool in building business reputation. The importance of business ethics to an organisation can be listed as under:

(1) Improves Standard of behaviour.

(2) Ethical principles leads to a more effective business practices.

(3) Short term gain and long term pain can be avoided and lead to short term pain and long term gain.

(4) Value bases leadership creates ethical practices.

(5) Improves moral values of employees.

(6) Helps in creating strong independent Board.

(7) Regulates Ethical behaviour of industry as a whole.

(8) Helps in regulating IT security and private confidentiality.

2.4 AREAS OF BUSINESS ETHICS:

Business ethics has evolved through time and across disciplines into a discipline that is one of the most important topics in the field of business. For the historical development of business ethics, it is important to start with a definition of business ethics in a global context. We define business ethics from a managerial perspective as 'decisions about what is right or wrong (acceptable or unacceptable) in the organizational context of planning and implementing business activities in a global business environment to benefit: organizational performance, individual achievement in the workplace, social acceptance and approval of peers and co-workers in the organization as well as responding to the needs and concerns of relevant internal and external stakeholders.'

The goal of proactive ethical organizations is to develop an ethical organizational culture. This requires strategies, systems, and procedures to ensure that the firm's ethics and compliance program is in place and operating effectively with continuous assessment and improvement.

Business ethics can be approached from many different perspectives. Business ethics can be approached from a normative (what should occur) or a descriptive perspective (what does occur). Business ethics has macro or societal dimensions as well as micro or firm level considerations and managerial dimensions. The context of the matrix in the below table is similar to a conceptualization of the field of marketing by famous Researcher Hunt:

Business ethics type	Micro	Macro
Normative	Values/Norms & Principles For Organizational Decisions	Norms & Principles and a Fair Economic System- i.e. Distributive Justice
Descriptive	Codes, Standards of Conduct, & Compliance Systems for Organizations	Public Policy & the Legalization of Business Ethics

2.4.1 Forces influencing in shaping Business Ethics:

The following forces do influence a lot in shaping the business ethics of an individual/organization:

Personal ethics	❖ Beliefs and Values ❖ Moral Development ❖ Ethical Framework
Organizational Culture	❖ Founder ❖ History ❖ Defining Moments ❖ Stories of Development
Organizational Systems	❖ Structure ❖ Policies and Rules ❖ Code of Ethics ❖ Reward System ❖ Selection and Training
External Stakeholders	❖ Government Regulations ❖ Customers ❖ Special Interest Groups ❖ Market Forces

2.4.2 Factors influencing Business Ethics:

Corporate Ethics is much needed to stress the importance of sustainability, social development, stakeholders, consumer satisfaction and service orientation in place of profit orientation. Ethics point out what is good and bad, so also what is right or wrong. It brings to the notice of the business community the importance of honesty, sincerity and fairness which makes them alert and socially conscious. This also expedites a better relation between business and the society. It will reconcile conflicting interest of various sections of the society such as workers, shareholders, consumers, distributors, suppliers, competitors and government. The extent of ethical behaviour of businesses is influenced by the following factors:

(1) **Cultural differences:** Culture is the way of life of people and transmitted from one generation to another. The extent of

ethical behaviour is therefore a function of the culture of a particular country.

(2) **Knowledge:** Greater knowledge increases the chance of making the right decision. Business decisions not based on facts or a clear understanding of the consequences could harm employees, customers, the company, and other stakeholders.

(3) **Organizational behaviour:** The foundation of an ethical business climate is ethical awareness and clear standards of behaviour. Companies that strongly enforce company codes of conduct and provide ethics training help employees recognize and reason through ethical problems.

(4) **Effective Leadership:** Ethical leaders search best people and develop in the interest of the organization. Ethical leader show in action rather than preaching.

(5) **Environmental factors:** Bothe the external and internal environment influence the business ethics. The business environment factors like political, economic, social, technological, legal do influence the business ethics to a greater extent in the fight to survive.

2.4.3 Advantages of Business Ethics:

The advantages or benefits of business ethics are as follows:

(1) **Enhancement of society:** Focus on business ethics has considerably enhanced society. Exploitation of workers and children, monopolistic price fixing and profiteering, harassment of employees at workplace cannot be practiced by business enterprises now. The society has reacted and demanded that business enterprises place high value on fairness and equal rights, thus resulting in improved social welfare.

(2) **Maintaining moral course in turbulent period:** Business ethics is supportive during times of fundamental change, when there is often no clear moral scope to guide leaders through complex conflicts about what is right or wrong Continuing focus on ethics in the workplace sensitizes leaders and staff for maintaining consistency in their dealings.

(3) **Strong teamwork and productivity:** When an organization finds unexpected disparity between its preferred values and the values actually regarding values at the workplace builds openness, integrity and community, all critical ingredients of strong teams in the workplace. Employees feel strong alignment between their values and those of the organization, as well as motivation and performance of employees are also improved.

(4) **Employee development:** Focus on the ethics in the workplace helps employees face reality, both good and bad, in the organization and gain the confidence of dealing with complex work situation.

(5) **Guarantee that policies are legal:** Attention to ethics ensures highly ethical policies and procedures in the workplace. For example, in matters of hiring, evaluating, disciplining, firing, etc. most firms feet that it is for better to incur the cost of mechanisms to ensure practices than to incur cost of litigation later.

(6) **Compliance with law:** Ethical programs helps to avoid criminal acts "of omission" and reduce fines, focus on ethical programs results in early identification of ethical issues and violations, so that they can be reported or addressed.

(7) **Total quality management:** Total Quality Management initiatives include high priority on certain operating values example, Trust among stakeholders, performance, reliability, measurement and feedback. Ethical programs help in identifying preferred values and ensuring that organizational behaviours are aligned with those values for TQM purposes.

(8) **Diversity Management:** Ethics management programs are useful in managing diversity. Diversity programs require recognizing and applying diverse values and perspectives which are the basis of a sound ethics management program.

(9) **Strengthen the business:** Managing ethical value in business legitimizes managerial actions. Strengthens the coherence and balance of the organization's culture. Improves trust in relationship between individuals and groups. Supports greater consistency in standards and qualities of products

Cultivates greater sensitivity to the impact of the enterprise's values and messages.

2.4.4 Benefits of Business Ethics:

Every business is always running for the profit motive, but it may affect the social goals for e.g. Satyam incorporations distributed huge dividends but its activities were declared to be ethically wrong. Thus the business is expected to follow some ethics so that it will grow with the social benefit. In earlier time, the King was having the huge wealth, but the King who was not following the ethics was not respected by the people. The famous thinkers like Swami Vivekananda, Mahatma Gandhi, and Socrates has also given lot of importance to ethics. If a business organization follows business ethics then it will result in following benefits:

(1) The business can give better service to the society,
(2) It creates goodwill,
(3) It improves productivity & positivity,
(4) It creates good environment in organization,
(5) It gives assurance of following the legal formalities,
(6) It helps to avoid criminal acts,
(7) The management is respected by the whole team.

2.4.5 Role of Government in Ensuring Business Ethics:

Governments have a responsibility in ensuring that corporations act according to the rules and norms of society. Business ethics is the degree to which the employees' behaviour equal up to the standards of the company, its organizational policies and expectations regarding what is right and what is wrong. Thus the necessity for ethics and moral obligations cannot be denied in the performance of the government policies which reply both the statutory obligations as well as the moral obligation that the state has towards the public.

Governments, corporations and organizations across the world are taking a numerous measures to promote the concept of good Business ethics, which has led to the increased adoption of the same. A number of principles and guidelines have come up over the past few years towards promoting social responsibility,

transparency and accountability in business operations. While most of the standards and guidelines are voluntary in nature; their adoption is increasingly becoming a norm in most parts of the world. The Cadbury Report (UK, 1992) and the Principles of Corporate Governance (OECD, 1998 and 2004) present general principles around which businesses are expected to operate to assure proper governance. The Sarbanes-Oxley Act (US, 2002) is an attempt by the federal government in the United States to legislate several of the principles recommended in the Cadbury and OECD reports. November 2010 witnessed the launch of Voluntary International Standard – ISO 26000:2010, Guidance for social responsibility - developed in response to a growing recognition that corporate need to be socially responsible.
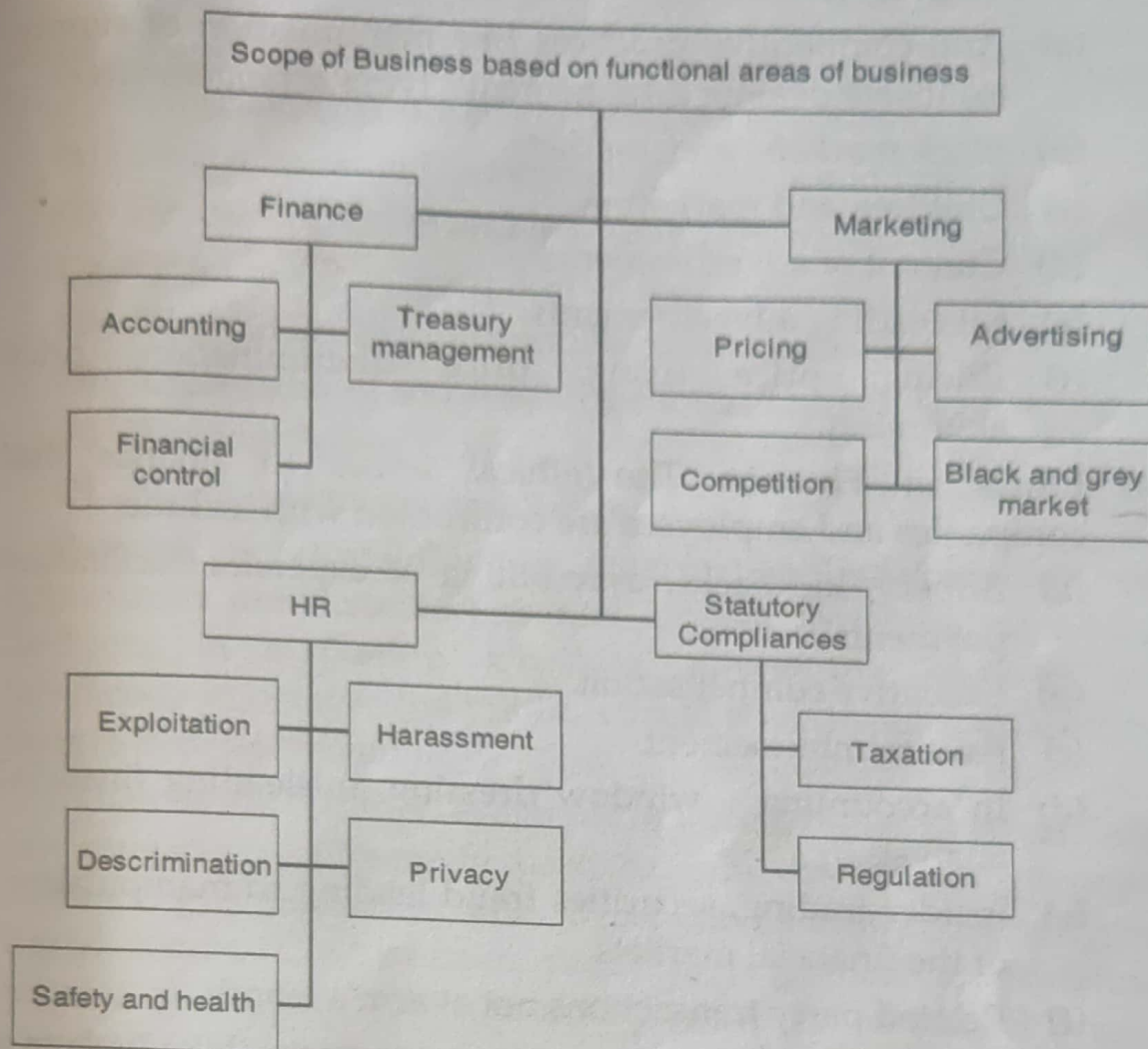
Being one of the key emerging economies of the world, India is not left unaffected by the developments world-over. With India getting integrated with the global economy and the paradigm shift in the global business environment, the investor community, both domestic and international, is demanding greater disclosure and transparency on business decisions and increased shareholder value from corporate in India. Corporate can no longer afford to ignore good Business ethics practices.

2.5 TYPES OF ETHICS ON FUNCTIONAL AREAS OF BUSINESS:

Due to its multi-disciplinary nature, there are a variety of conceptions about the scope of Business Ethics as academic field. Ethical problems and phenomena arise across all the functional areas of companies and at all levels within the company. Hence the scope based on business functions can be depicted in the figure given on the next page:

Ethical problems and phenomena arise across all the functional areas of companies and at all levels within the company. From management functional perspective, the scope of Business ethics can be grouped as:

(1) **Ethics in Compliance:** An ethical climate in an organization ensures that compliance with law is fuelled by a desire to abide by the laws.

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┌──────────────────────────────────────────────────────┐
│   Scope of Business based on functional areas of business │
└──────────────────────────────────────────────────────┘

        ┌──────────────┐              ┌──────────────┐
        │   Finance    │              │  Marketing   │
        └──────────────┘              └──────────────┘

 ┌────────────┐  ┌──────────────┐   ┌────────────┐   ┌──────────────┐
 │ Accounting │  │  Treasury    │   │  Pricing   │   │ Advertising  │
 │            │  │ management   │   │            │   │              │
 └────────────┘  └──────────────┘   └────────────┘   └──────────────┘

 ┌────────────┐                     ┌────────────┐   ┌──────────────┐
 │ Financial  │                     │ Competition│   │Black and grey│
 │  control   │                     │            │   │   market     │
 └────────────┘                     └────────────┘   └──────────────┘

        ┌──────────────┐              ┌──────────────┐
        │     HR       │              │  Statutory   │
        │              │              │ Compliances  │
        └──────────────┘              └──────────────┘

 ┌────────────┐  ┌──────────────┐                    ┌──────────────┐
 │Exploitation│  │  Harassment  │                    │  Taxation    │
 └────────────┘  └──────────────┘                    └──────────────┘

 ┌────────────┐  ┌──────────────┐                    ┌──────────────┐
 │Descrimination│ │   Privacy   │                    │  Regulation  │
 └────────────┘  └──────────────┘                    └──────────────┘

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 │Safety and health│
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(2) **Ethics in Production:** Some of the issues this area arise out of the fact that there is usually a degree of danger in any product or production process and it is difficult to define a degree of permissibility based on other factors such as technology, risk, expectation etc. Transforming products to be more ethical is called greenwashing. Greenwashing is a compound word modelled on "whitewash", or also called as "green sheen", Greenwashing is a form of spin in which green products or green marketing is deceptively used to promote the perception that an organization's products, aims or policies are environmentally friendly.

(3) **Marketing Ethics:** Marketing ethics is the area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. The ethical issues confronted in this area include:

(a) Anti-competitive practices like manipulation of supply, exclusive dealing arrangements, tying arrangements etc.

(b) Black markets, grey markets.

(c) Children and marketing.

(d) Content of advertisements.

(e) Misleading advertisements.

(f) Pricing: price fixing, price discrimination, price skimming.

(4) **Ethics in Finance:** The ethical issues in finance that companies and employees are confronted with include:

(a) Bribery, kickbacks, over billing of expenses, facilitation payments.

(b) Executive compensation.

(c) Fake reimbursement.

(d) In accounting – window dressing, misleading financial analysis.

(e) Insider trading, securities fraud leading to manipulation of the financial markets.

(f) Related party transactions not at arm's length.

(5) **Ethics in HRM:** Human resource management (HRM) plays a decisive role in introducing and implementing ethics. The ethics of HRM covers those ethical issues arising around the employer-employee relationship, such as the rights and duties owed between employer and employee.

2.5.1 Marketing Ethics:

Marketing ethics in the international arena highlights a growing concern for ethics in general. There are more specific arguments pertaining to the environment of marketing ethics in recent years. There are implicit characteristics of marketing activities that call for ethical reasoning. Corporate marketing ethics policies are broad guidelines that everyone in the organization must follow.

The rise of marketing ethics can be seen in light of reactions to global marketing impacts, deceptive advertising, the role that advertising plays in a country, with arguments suggesting that

many advertising activities are, or can be unethical. The recent trends in marketing ethics can be grouped as below:

(1) Ethical Issues in Distribution Channels and Pricing.
(2) Ethical Reasoning and Marketing Decisions.
(3) Ethics in Advertising and on the Internet.
(4) Ethics in Researching and Segmenting Markets.
(5) Implementing and Auditing Ethical Marketing.
(6) Personal Selling Ethics.
(7) Product Management Ethics.

Personal moral philosophies, organisational relationships, and opportunity are three factors that interact to determine ethical decisions in marketing. Unethical advertising methods use falsehoods to deceive the public, ethical advertising uses truthful facts to deceive the public.

Some of the common examples of ethical issues in advertising are Vulgarity / Obscenity used to gain consumers' attention, Misleading information and deception, Puffery, Stereotypes, Racial issues, Controversial products (e.g. alcohol, gambling, tobacco etc.). Apart from conforming to general ethical behaviour, the ethical codes of the company's active in international trade should ensure the following:

(1) Need to respect laws and regulations of the host countries and do nothing to compromise with the health and safety of consumers. US laws on product liability, a big litigation issue, is an extreme case that affects the development of new products, especially the pharmaceuticals.

(2) Firms should not exploit the weakness in legislation in host countries such as selling products in these markets that are banned elsewhere.

(3) The firms can be proactive and assist the governments in preventing marketing of unsafe products. However, the close relationship developed by firm with the local government, should not be misused such as gaining competitive advantage through adaptation of company's product specification, taking advantage of local lack of expertise in a particular area.

Threshold to Ethical Excellence:

Gandhian philosophy need no introduction to us. Mahatma Gandhi said that seven things will destroy us. Notice that all of them have to do with social and political conditions. Note also that the antidote of each of these "deadly sins" is an explicit external standard or something that is based on natural principles and laws, not on social values.

(1) Wealth Without Work.

(2) Pleasure Without Conscience.

(3) Knowledge Without Character.

(4) Commerce (Business) Without Morality (Ethics).

(5) Science Without Humanity.

(6) Religion Without Sacrifice.

(7) Politics Without Principle.

Comment on the deadly sin which you feel is infectious on the current environment in India.

2.5.2 Foreign Trade Ethics:

Compliance with (all applicable import and export laws and regulations is critical in ethical foreign trade. Make sure all international transactions are screened against applicable laws and regulations that restrict transactions with certain countries and persons. The following are the key areas to watch in foreign trade ethics:

(1) Abnormal packing.

(2) marking, or routing of goods.

(3) Unfamiliar supplier without convincing references.

(4) Transactions involving an embargoed country, a citizen or representative of an embargoed country, or an individual or entity subject to government sanction.

(5) Inaccurate or incomplete invoice description of imported goods.

2.5.3 Ethics relating to Copyright:

A copyright is a very particular and exclusive right even for reproduction of an original work. This is for material, aesthetic material, literacy, music, film, sound recording, broad casting software and multimedia. This offers automatic right for

safeguarding any original creation, which is not in need of registration but with limited time. It does not require the lawyer's help for settlement.

Protection to copy right does not give any procedure, principle, concept or method or operation, irrespective of the format in which it is explained. In other words protection of copyright is limited to an inventor's particular expression of an idea, concepts or process in a tangible medium. Copyright is sanctioned to prevent others from:

(a) Copying the work.

(b) Publishing and selling copies commercially.

(c) Renting or lending the work in a free market.

(d) Doing or demonstrating the work in public.

The TRIPS agreement offers a minimum duration of copyright protection to the tune of the life of the inventor or author plus fifty years. Anyhow rights granted exclusively to the copy right owner may allow others in making fair use of the owner's work, like for the purpose of review, comment, reporting, teaching, researches, etc. Of course, the impact of copying an inventor's work's commercial value is considered to find out whether the copying is for "fair use".

In order to secure protection for copy right, the particular work must be an original work made or written in a tangible medium of expression. The test for such originality consists of two conditions – (1) work must originate from the inventor and not a copy from others' works. And (2) the invention or work must have adequate amount of creativity.

2.5.4 Free and Perfect Competitive Market:

The following seven features characterize perfectly competitive free markets:

(1) Many Buyers and sellers in the market.

(2) Free entry and exit of buyers and sellers possible.

(3) Perfect knowledge of market by all buyers and sellers.

(4) Similar products.

(5) Buyers and sellers borne all the cost and benefits.

(6) Buyers and sellers are utility maximizer's.

(7) No external parties controls and regulate the price, quantity or quality of goods.

Ethical Immunization Thoughts:

परित्यजेदर्थकामौ यौ स्यातां धर्मवर्जितौ ।
धर्म चाप्यसुखोदर्कं लोकनिकृष्टमेव च ॥
मनु

"Let him/her avoid acquisition of wealth and gratification of desires, if they are rejected by dharma (the sacred law). Let him/her reject even dharma if it causes pain in the future (or results in pain in the future) or if it is condemned by people or is offensive to them." This ruling by Manu provides a glimpse into the broad-minded nature of Indian civilization. Our culture does not insist that the laws decreed by some 'holy' book or great person thousands of years ago should be valid and implemented even today. Flowing water always remains fresh while still and stagnating water becomes the hotbed for bacteria and germs. Do you think the young India are losing its grip on cultural values due to life style or other influence? How can we fix the issue? Do you think we need to amend legal system? If yes give suggestions.

Objective Questions with Answers

(1) **Multi Choice Questions (MCQs):**

(1) Characteristics of Business ethics includes _____.
(a) Lays support to social welfare functions (b) Provides code of business conduct and basic functional frame (c) Acts as guiding principles of business (d) All of the above

(2) An _____ in an organization ensures that compliance with law is fuelled by a desire to abide by the laws.
(a) ethical climate (b) Moral climate (c) Information system (d) Control system

(3) _____ have a responsibility in ensuring that corporations act according to the rules and norms of society.
(a) Governments (b) Public (c) Customers (d) Creditors

(4) The form of ethics that endeavours to help professionals decide what to do when they are confronted with a case or situation that raises an ethical question or moral problem is referred to as _____.
(a) Personal ethics (b) Organizational ethics (c) Professional ethics (d) Business ethics

(5) Most companies begin the process of establishing organizational ethics programs by developing _____.
(a) code of conduct (b) Law (c) both A and B (d) none of the above

(6) A document prepared to guide organisation members when encountering ethical dilemmas is _____.
(a) Code of ethics (b) Code of conduct (c) both A and B (d) none of these

(7) An _____ is a problem, situation, or opportunity requiring an individual, group, or organization to choose among several actions that must be evaluated as right or wrong.
(a) Ethical issue (b) Moral issue (c) both A and B (d) none of these

(8) Which ethical principle specifies to do what is good _____.
(a) Beneficence (b) Least harm (c) both A and B (d) none of the above

(9) What type of ethical issue does a green company resolves _____.
(a) Environmental (b) Financial (c) social (d) political

(10) Which of the following is not an ethical issue _____.
(a) organization system related   (b) corporate issues
(c) individual issues   (d) communication issues

(11) _____ is a code of conduct that an individual or a group has about right and wrong.
(a) Morality (b) Ethics (c) Law (d) all of the above

(12) _____ is the philosophical study of moral values and rules.
(a) Morality (b) Ethics (c) Law (d) all of the above

Ans.:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
d	a	a	c	a	a	a	b	a	d	b	b

(2) **State True or False:**

(1) Business ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment.

(2) Business ethics can be approached from a normative perspective (what should occur)

(3) Ethics can protect the society in a better way than even the legal system of the country.

(4) Where law fails, ethics also fails

(5) Ethics is broader term than morals

(6) Business ethics refers to the application of everyday moral or ethical norms to business.

(7) Business ethics can be approached from a descriptive perspective (what should occur)

(8) Culture serves as a sense making and control mechanism that guides and shapes the attitudes and behaviour of people.

(9) Ethical business conduct is in the self-interest of businessmen in long run.

(10) Ethics and morals are often used interchangeably

(11) The ethics of Marketing covers those ethical issues arising around the employer-employee relationship,

(12) Business ethics applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations.

(13) Law is the set of important understandings that members of a community share in common

(14) Business ethics can be approached from a descriptive perspective (what does occur)

(15) Religion is the oldest source of Religion is the oldest source of ethical inspiration.

Ans.:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
True	True	True	False	True	True	False	True	True

(10)	(11)	(12)	(13)	(14)	(15)
True	False	True	False	True	True

(3) Match the following:

Group 'A'	Group 'B'
(1) External Stakeholders	(a) Code of Ethics
(2) Organizational Culture	(b) Beliefs and Values
(3) what should occur	(c) morality in business environment
(4) what does occur	(d) Guides to do what is good
(5) justice as ethical principle	(e) Transforming products to be more ethical
(6) green washing	
(7) Philosophical study of moral values	(f) Ethics
	(g) Descriptive perspective
(8) Business ethics	(h) Normative perspective
(9) Organizational Systems	(i) Customers
(10) Personal ethics	(j) Founder

Ans.:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
i.	j	g	h	d	e	f	c	a	b

Questions for Self-Practice

(I) **Short Questions:**
(1) Role of government in ensuring business ethics.
(2) Benefits of Business ethics.
(3) Factors influencing shaping business ethics.
(4) Ethics relating to copyright.

(II) **Brief Questions:**
(1) What is Business Ethics? Explain its objectives.
(2) Define Business Ethics. What are its features?
(3) Explain the sources of business ethics.

(4) Define Business Ethics. What are the Advantages of Business ethics?

(5) Explain the concept of business ethics. What is the need for the same?

(6) How ethical principles applied in a Business goes to strengthen business reputation?

(7) How business ethics is an important tool in building business reputation?

(8) Explain the need and importance of Business Ethics.

(9) Define Business Ethics and state its objectives.

Suggested Project Topics from the chapter:

(1) A Study on Ethical principles applied in Banking Business.

(2) A Study on Ethical principles applied in Insurance Business.

(3) A study of Business ethics of Banking.

(4) Challenges of Business ethics in Banking sector.

(5) Challenges of Business ethics in Insurance sector.

(6) Ethical issues in Banking industry.

(7) Impact of Study of Ethics on next generation managers.

(8) Challenges of Business Ethics in internet banking.

(9) Study of Business Ethics in Merchant Banking.

(10) Ethics relating to copyright.

(11) A study on Ethics of International trade.

(12) Marketing ethics in international banking.

UNIT - II:
APPLICATION OF ETHICAL THEORIES IN BUSINESS

Chapter 3

ETHICAL THEORIES

3.1 GENERAL ETHICAL FOUNDATIONS:

Foundational values are those concepts or ideas which do not by themselves constitute any one theory but which should be considered as a prerequisite to most satisfactory normative theories. These values by themselves do not constitute a justification or defence of your position; that is done through the application of a normative ethical theory.

- **Rationality:** All legitimate moral acts must be supportable by generally accepted reasons.

- **Least Harm:** When you must choose between evils, choose the least evil.

- **Consistency:** Moral reasons, including moral actions, if they are valid, are binding on all people at all times in all places given the same relevant circumstances.

- **Impartiality:** This principle forbids us from treating one person different than another when there is not a good reason to do so. We set aside our personal interests.

- **Openness:** When examining moral differences between ourselves and other individuals or cultures, we may discover that it is we, not they, who are morally wrong. We must be open to changing our view (Principle of Fallibility, L. Hinman).

3.2 ETHICAL THEORIES:

The field of ethics is usually broken down into three different ways of thinking about ethics: descriptive, normative applied and analytic. It isn't unusual for disagreements in debates over ethics to arise because people are approaching the topic from a different one of these three categories. Thus, learning what they are and how to recognize them might save you some grief later.

(1) **Descriptive Ethics:** The category of descriptive ethics is the easiest to understand - it simply involves describing how people behave and/or what sorts of moral standards they claim to follow. Descriptive ethics incorporates research from the fields of anthropology, psychology, sociology and history as part of the process of understanding what people do or

have believed about moral norms. Descriptive ethics is the scientific study of moral beliefs and practices, to describe how people behave and think when dealing with moral issues and arguments.

(2) **Normative Ethics:** The category of normative ethics involves creating or evaluating moral standards. Thus, it is an attempt to figure out what people should do or whether their current moral behaviour is reasonable. Traditionally, most of the field of moral philosophy has involved normative ethics - there are few philosophers out there who haven't tried their hand at explaining what they think people should do and why. Normative ethics is the study of principles, rules, or theories that guide our actions and judgments, to determine what actually is morally right or wrong.

(3) **Applied ethics:** Applied ethics is the branch of ethics which consists of the analysis of specific, controversial moral issues. In recent years applied ethical issues have been subdivided into convenient groups such as medical ethics, business ethics, environmental ethics etc. The principles most commonly appealed to in applied ethical discussions are:

(a) **Personal benefit:** acknowledge the extent to which an action produces beneficial consequences for the individual in question.

(b) **Social benefit:** Acknowledge the extent to which an action produces beneficial consequences for society.

(c) **Principle of benevolence:** Help those in need.

(d) **Principle of paternalism:** Assist others in pursuing their best interests when they cannot do so themselves.

(e) **Principle of harm:** Do not harm others.

(f) **Principle of honesty:** Do not deceive others.

(g) **Principle of lawfulness:** Do not violate the law.

(h) **Principle of autonomy:** Acknowledge a person's freedom over his/her actions or physical body.

(i) **Principle of justice:** Acknowledge a person's right to due process, fair compensation for harm done, and fair distribution of benefits.

(j) **Rights:** Acknowledge a person's rights to life, information, privacy, free expression, and safety.

(4) **Analytic Ethics (Metaethics):** The category of analytic ethics, also often referred to as metaethics, is perhaps the most difficult of the three to understand. In fact, some philosophers disagree as to whether or not it should be considered an independent pursuit, arguing that it should instead be included under Normative Ethics. Nevertheless, it is discussed independently often enough that it deserves its own discussion here.

3.2.1 Normative Ethics and Descriptive Ethics:

(1) Descriptive ethics focuses on what is, and normative ethics evaluates what ought to.

(2) Descriptive ethics is the empirical investigation of people's moral beliefs. Normative ethics is the study of ethical action.

(3) Descriptive ethics: What do people think is right? Normative (prescriptive) ethics: How should people act?

(4) Descriptive ethics is the scientific study of moral beliefs and practices, to describe how people behave and think when dealing with moral issues and arguments, and on the other hand, normative ethics is the study of principles, rules, or theories that guide our actions and judgments, To determine what actually is morally right or wrong.

(5) Descriptive ethics deals with the factual investigation of moral behaviour and beliefs i.e., the study not of what people ought to do but how they reason and how they act and on the other hand, Normative ethics deals with the professional codes of ethics that specify role norms or obligations that professions attempt to enforce. It is the recommendations of standards and guidelines for morally right or good behaviour.

(6) Descriptive ethics would be concerned to determine what proportion of people believe that killing is always wrong while normative ethics is concerned to determine whether it is correct to hold such a belief. Hence, normative ethics is sometimes said to be prescriptive, rather than descriptive.

(7) Descriptive is merely observation for the purpose of collecting data but forming no ethical opinion or overall moral judgment. Normative uses mean cultural behaviour to establish a theory of ethics.

3.2.2 Various Schools of thought to Ethics:

It isn't unusual for disagreements in debates over ethics to arise because people are approaching the topic from different categories which is not categorised as Descriptive ethics, normative ethics, applied ethics or analytic ethics. Thus, learning what they are and how to recognize them might save you some grief later.

(1) **Virtue ethics:** Character or good habits approach. Virtue ethics emphasizes the role of one's character and the virtues that one's character embodies for determining or evaluating ethical behaviour. Virtue ethics is person rather than action based. It looks at the moral character of the person carrying out an action.

(2) **Duty Ethics:** the normative ethical position that judges the morality of an action based on rules. It is sometimes described as "duty-" or "obligation-" or "rule-" based ethics, because rules "bind you to your duty".

    (a) **Deontological Ethics:** Deontological ethics, in philosophy, ethical theories that place special emphasis on the relationship between duty and the morality of human actions. The term deontology is derived from the Greek deon, "duty," and logos, "science

      (i) **Kantianism:** Kantianism is thé philosophy of Immanuel Kant, a German philosopher born in Königsberg, Prussia (now Kaliningrad, Russia). The term "Kantianism" or "Kantian" is sometimes also used to describe contemporary positions in philosophy of mind, epistemology, and ethic

      (ii) **Primafacie duties:** According to Ross, a prima facie duty is a duty that is binding or obligatory, other things being equal. Common examples include the duty to tell the truth, obey the law, protect people from harm, and keep one's promises

(iii) Contractarianism: Contract ethics: Mutually responsive and reciprocities ethical approach. Morality consists in a set of rules (implicit or explicit), governing how people are to treat one another, which rational people will agree to accept, for their mutual benefit, on the condition that others follow those rules as well. Contract principles form the basis for many social contract theories. Some of these principles will work with either a consequentialist or non-consequentialist theory. If you do use them, be sure they are consistent with other normative or prescriptive principles you use. Modern contract theories are based on the work of John Rawls, so if you use this approach, be sure you are familiar with his thought. The principles must be used within the context of the theory and be grounded in the readings from the course. These are listed as only a guideline.

(1) Principle of Liberty.

(2) Principle of Opportunity.

(3) Principle of Distributive Justice.

(4) Principle of Justice.

(5) Principle of Need.

(iv) Contractualism: Contextual ethics: Ethics is Depending on prevailing circumstance.

(b) Consequentialism: Consequentialism is the class of normative ethical theories holding that the consequences of one's conduct are the ultimate basis for any judgment about the rightness or wrongness of that conduct.

(i) **Ethical egoism:** One ought to act in his or her own self-interest. Ethical behaviour is that which promotes one's own self-interest. Does not mean should not obey laws - only do so if in self-interest. Ethical egoism (also called simply egoism) is the normative ethical position that moral agents ought to do what is in their own self-interest. It differs from psychological egoism, which claims that people *do*

only act in their self-interest. Ethical egoism also differs from rational egoism, which holds merely that it is rational to act in one's self-interest. These doctrines may, though, be combined with ethical egoism. Ethical egoism contrasts with ethical altruism, which holds that moral agents have an obligation to help and serve others.

Ethical Altruism: Altruism means unselfish concern for the welfare of others; selflessness. Altruism also called the ethic of altruism, moralistic altruism, and ethical altruism, is an ethical doctrine that holds that individuals have a moral obligation to help, serve, or benefit others, if necessary at the sacrifice of self-interest. Auguste Comte's version of altruism calls for living for the sake of others. One who holds to either of these ethics is known as an "altruist." Altruism is often seen as a form of consequentialism, as it indicates that an action is ethically right if it brings good consequences to others.

(ii) **Utilitarian ethics:** An ethical philosophy in which the happiness of the greatest number of people in the society is considered the greatest good. Utilitarianism is an ethical system that determines morality on the basis of the greatest good for the greatest number.

3.3 ETHICAL THEORIES:

Ethical theories can be discussed as below:

3.3.1 Utilitarianism:

Utilitarianism is an ethical theory holding that the proper course of action is the one that maximizes the overall "good" of the society. The most influential contributors to this theory are considered to be Jeremy Bentham, James Mill and his son John Stuart Mill. The 18th and 19th century British philosophers Jeremy Bentham and John Stuart Mill defended the ethical theory of utilitarianism, according to which we should perform whichever action maximizes the aggregate good. The term 'utilitarianism'

gives emphasis on utility or usefulness rather than on pleasure. The utilitarian school had also the advantage of a good slogan, 'the greatest happiness of the greatest number', a slogan which emphasized the wide distribution of human pleasure as well as its maximisation.

Jeremy Bentham and John Stuart Mill argued that requires a decision maker to maximize utility for society as a whole. Max Utility = achieving the highest level of satisfactions over dissatisfactions. Though consistent in their pursuit of happiness, Bentham and Mill's versions of utilitarianism differ. There are basic schools of thought as to utilitarianism.

(1) **Bentham's quantitative utilitarianism:** Bentham argued that happiness was the ultimate good and that happiness was pleasure and the absence of pain. He acknowledged the egoistic and hedonistic nature of peoples' motivation, but argued that the maximization of collective happiness was the correct criterion for moral behaviour. Bentham identifies several aspects of pleasure that contribute to its value, including certainty, propinquity, extent, intensity, and duration. The Hedonic Calculus also makes use of two future-pleasure-or-pain-related aspects of actions – fecundity and purity. Bentham's modified seven points Hedonistic Calculus:

 (1) **Intensity:** How strong is the pleasure?

 (2) **Duration:** How long will the pleasure last?

 (3) **Certainty or uncertainty:** How likely or unlikely is it that the pleasure will occur?

 (4) **Propinquity or remoteness:** How soon will the pleasure occur?

 (5) **Fecundity:** The probability that the action will be followed by sensations of the same kind.

 (6) **Purity:** The probability that it will not be followed by sensations of the opposite kind.

 (7) **Extent:** How many people will be affected?

(2) Mill's major contribution to utilitarianism is his argument for the qualitative separation of pleasures. Bentham treats all forms of happiness as equal, whereas Mill argues that

intellectual and moral pleasures (higher pleasures) are superior to more physical forms of pleasure (lower pleasures). Mill distinguishes between happiness and contentment, claiming that the former is of higher value than the latter, a belief wittily encapsulated in the statement that "it is better to be a human being dissatisfied than a pig satisfied. Since Mill's theory of Hedonism focuses on the quality of the pleasure, rather than the amount of it, it is best described as a type of Qualitative Hedonism. Mill's account of utilitarianism may be summarised in the following five statements:

(1) Pleasure is the only thing that is desirable.

(2) The only proof that a thing is desirable is the fact that people do actually desire it.

(3) Each person's own pleasure or happiness is a good that person, so the general happiness is good to everybody.

(4) Men do desire other objects, but they desire them as a means to pleasure.

(5) If one of two pleasures is preferred by those who are competently acquainted with both we are justified in saying that this preferred pleasure is superior in quality to the other.

The Highlights of utilitarianism are as under:

- It judges our actions based on outcomes (teleological).

- Strength: Easy to articulate the standard of conduct – Merely do what is best for society as a whole?

- Criticisms: Difficulty in measuring benefit & harm to all members of society. Unequal distribution of costs & benefits may lead to detrimental results for a particular class or group of people.

3.3.2 Deontology: Rights Theory by Immanuel Kant:

Rights theory encompasses a variety of ethical philosophies holding that certain human rights are fundamental and must be respected by other humans. It focus is on each individual member of society and his/her rights. Each of us faces a moral obligation

not to harm the fundamental rights of others. Rights theory can be explained as under:

- **Kantianism:** Immanuel Kant was a strict deontologist and was 18th century philosopher. Humans are moral actors free to make choices and are able to judge the morality of any action by applying his famous Categorical Imperative. "Act only on that maxim whereby at the same time you can will that it shall become a universal law." In other words, we judge an action by applying it universally. For example: Borrowing money even though you know you will never repay it. Using the categorical imperative, you would state the following rule: "When I want money, I will borrow money and promise to repay it, even though I know I won't repay it." According to Kant, you would not want this maxim to become a universal law because no one would believe in promises to repay debts and you would NOT be able to borrow money when you wanted or needed to. So, the maxim fails the categorical imperative test, and you are compelled ethically NOT to promise falsely that you will repay a loan. "Always act to treat humanity, whether in yourself or others, as an end in itself, never merely as a means." In other words, we may not use or manipulate others to achieve our own happiness. In the example above, you are using the individual/entity that you are borrowing from if they knew all the facts, they wouldn't agree to the loan.

- **Modern Rights Theories:** Propose mixed deontological theories strict Kantianism's duties are absolute and sometimes create inappropriate results. One can never lie or kill even though in some circumstances, such as self-defence it may be acceptable to do so. Abide by a moral rule unless a more important rule conflicts with it. In other words, don't compromise a person's right unless a greater right takes priority over it. For example, members of society have a right not to be lied to. However, if you could save someone's life by telling a falsehood, such as not telling a criminal the true location of a witness who will testify against him, you would be compelled under the modern theory to save the witness' life by not telling the truth. Major Strengths are it protects

fundamental rights unless some greater right takes precedence.

Major Criticisms are it is difficult to achieve agreement about which rights are protected. Rights fundamental to industrialized nations may be unknown or severely restricted in developing nations. E.g., certain freedoms, the treatment of women, citizens may disagree about the ranking of rights. E.g., Some Americans argue that the right to health care is an important need that should be met by the government's or a person's employer while others are opposed to funding universal health care because they want governments intervention limited. It does not consider the costs or benefits associated with the rights and create a sense of entitlement that may have a negative impact on motivation. For example if one is entitled to a job, a place to live, food and healthcare regardless of how hard he works, he may not be motivated to work to earn those things.

3.3.3 Virtue Ethics by Aristotle:

Virtue ethics is Character or good habits approach. Virtue ethics emphasizes the role of one's character and the virtues that one's character embodies for determining or evaluating ethical behaviour. Virtue ethics is person rather than action based. It looks at the moral character of the person carrying out an action. 'Virtue", says Aristotle, "is a permanent state of mind, formed with the concurrence of the will and based open an ideal of what is best in actual life- an ideal fixed by reason" virtue is permanent acquired disposition in harmony with the moral law. It is settled habit of willing in conformity with the moral law.

Aristotle recognises two classes of virtues' viz.:

(1) **Intellectual virtue:** This belongs to the rational soul, and includes theoretical knowledge and practical knowledge.

(2) **Moral virtue:** This belongs to the irrational but conscious part of the soul, and consists in subordinating emotions and desires to reason

Aristotle's ethics appeals too many modern philosophers because of the central role it gives to virtue. Aristotle, the

founder of virtue ethics, believed that human beings are unique in having a potential they can fulfil by their own efforts. The only way to fulfil this potential, and achieve happiness, he argued, is to acquire the virtues.

Aristotle thinks many people disagree on the nature of happiness, and one of the major projects of ethics is trying to figure out its nature. Aristotle argues that eudaimonia should be understood as a state of living life well.

3.4 GANDHIAN APPROACH IN MANAGEMENT AND TRUSTEESHIP:

Early in 1955, a debate began in the U.K. about the propriety of the top executives increasing their salaries and perquisites many times over. The prime minister was persuaded to look into the possibility of placing some limits on corporate compensation packages.

Trusteeship is a Gandhian concept. It implies that:

- All assets be held and used in trust for the benefit of the community.
- Distribution to be equitable, not equal.
- Owner, manager, worker, subordinate titles are removed.
- There is no use of compulsion, force or exploitation.
- There is continuous participation.

Gandhiji thought that the very idea of ownership was at the root of violence giving birth to unwarranted attachments eventually breading possessiveness, greed, exploitation and revenge. People really come together only when they rise above conflicts of interests, envy and competition. Trusteeship followed the Vedic dictum of renounce and enjoy. The Gandhian principle of Trusteeship expresses the inherent responsibilities of a business enterprise to its consumers, workers, shareholders and the community; and the mutual responsibilities of these to one another.

It did not focus on matters of immediate concern such as distributive justice, socialization, land reforms and ownership of shares, nor on labour relations and handing over the wealth to the

nation for the common good. Trusteeship was a way of life making you do whatever you do, for the good of others or even of all. It is the simplest logic to make the individual aware of his dependence on others for his satisfactions.

In an Indian family, sharing and accountability are inculcated in various ways. In small communities, sharing is done through voluntary acceptance of mutual rights and obligations. In larger groups such as a city or a state or a nation, the relationships become more complex and anonymous and the individual sense of obligation to return the debt gets watered down.

Trusteeship is rooted in trust. Trust is a bond between people. It adds security, reduces inhibitions and dependence, free people to share feelings, dreams and fears. It allows you to be yourselves, willing to spend time together and make sacrifices for one another. It expresses faith in the ability to perform well. It gives confidence.

The concept is that the manager of an enterprise is like a trustee of property, whose main concern has to be that the property be so husbanded as to provide maximum advantage to the beneficiaries of the trust and not the trustee. This thought is also validated by the premise that the resources of an enterprise are of the society, belong to it and have been given to the enterprise by society, in preference to alternate demands for them.

Trusteeship is an ideal. Trouble starts when an idea is converted to an ideology and idealism with models and doctrines. The 'theory' of Trusteeship seeks to provide criteria to evaluate the Trusteeship claims of different organizations as well as help spread Trusteeship behaviour among the members of the organization. Trusteeship is an attitude that evolves over a period of time. It requires awareness. It also requires emotional security.

Some of the organizations have tried to practice the concepts of Trusteeship with restructuring, the Mahila Udyog making Lijjat pappads being one of the most prominent. The common factors in such organizations are common ownership, and industrial democracy.

Trusteeship is a Gandhian concept based on non-violence and Indian philosophy. It is not a matter of structure or of physical

distribution of wealth. It has found favour in U.K. and in Germany, but still have few adherents. It is based on the concept that something in possession of wealth is not the owner of the same but holds it in trust for the benefit of the community. Therefore the utilization and outputs from the wealth must go to the community and not be appropriated by the one in possession.

3.4.1 Importance and Relevance of Trusteeship Principle in Modern Business:

Importance and relevance of Gandhian principles of trusteeship are examined in following basic focuses:

(1) **Change of attitude of businessmen:** According to mahatma Gandhiji, agents should change their mentality. They have no spirit appropriate to aggregate boundless riches while a large portion of their kinsmen live in destitution and wretchedness. Every specialist should take enough riches to live respectably. He ought to appropriate the rest of the riches back to the general public. Gandhiji prompted the rich businesspeople to deliberately surrender their surplus riches. If not done as such, the poor masses may revolt (battle) one day and loot their whole riches by drive.

(2) **Communism:** This idea gives more significance to communism. That is, the general public is given considerably more significance than a person. In this way, the abundance of the general public ought to be conveyed impartially to every one of its individuals.

(3) **Consider social needs:** Businessmen should deliver just those products and enterprises which are valuable for all individuals from the general public. They ought not create merchandise and ventures, which are utilized just by couple of people.

(4) **Decrease inequalities:** This idea tries to diminish disparities. It tries to diminish the hole between the rich and poor. It tries to lessen abuse.

(5) **Government regulation:** The government ought to control trusteeship. No individual ought to be permitted to utilize his riches for narrow minded fulfilment or against the enthusiasm of society.

(6) **Legitimate pressure:** If deliberate measures and social weight don't work, lawful weight must be put on the specialists to take after the rule of trusteeship.

(7) **No right to private ownership:** This idea does not give the privilege to private possession with the exception of when it is vital.

(8) **Social pressure:** People must put social weight on agents to take after the standard of trusteeship. They should blacklist (not buy) the results of the individuals who don't rehearse trusteeship.

(9) **Square with dispersion of riches:** According to Gandhiji, all the abundance of the general public ought to be conveyed even-handedly. There ought not to be convergence of riches in few hands.

(10) **Win cash by hard work:** A man ought to win his living by doing diligent work. Procuring cash without doing diligent work is much the same as taking.

Ethical Immunization Thoughts:

ॐ गुणेषु क्रियतां यत्नः किमाटोपैः प्रयोजनम् ।
विक्रीयन्ते न घण्टाभिः गावः क्षीरविवर्जिताः ॥

"One should make an effort to cultivate one's inherent qualities/skills/assets rather than merely making noises. A cow, for instance, cannot be sold by merely ringing the bell in her neck if she does not yield milk (making sweet sound of the bell is an irrelevant asset of the cow while giving milk is indeed its relevant quality). Today's world of advertisement is predicated upon an exactly opposite premise. It tells us to attract the customers by attractive packaging rather than by the quality of the product. Attractive packaging only raises expectations but does not satisfy the customer." Comment on the ethical issues in advertising and marketing in India.

3.4.2 Criticisms of the principles of trusteeship:

Basic criticisms of the principles of trusteeship are featured in following imperative focuses:

(1) This idea isn't applicable in the present aggressive business world in light of the fact that each businessperson tries to gain most extreme benefits and collect colossal riches.

(2) It demotivates the dedicated agents. The businesspeople will misfortune their imagination, and they will end up languid. This will back off the financial improvement of the nation.

(3) This idea depends on the idea of socialism. Nonetheless, today communism is obsolete.

(4) Representatives feel that the welfare of the general public isn't their duty. It is the obligation of the government.

(5) This idea isn't acknowledged by investors who contribute their cash to win the most noteworthy profit.

(6) This idea is against free enterprise. Today, free enterprise is demonstrating extremely fruitful everywhere throughout the world. Neediness levels are low in entrepreneur nations when contrasted with the destitution measurements of communist countries.

3.5 ETHICAL DECISION MAKING:

Ethics focuses on the decision-making process for determining right and wrong, which sometimes is a matter of weighing the pros and cons or the competing values and interest. Morality is a code of behaviour usually based on religious tenets, which often inform our ethical decisions.

Ethical decision-making refers to the process of evaluating and choosing among alternatives in a manner consistent with ethical principles. In making ethical decisions, it is necessary to perceive and eliminate unethical options and select the best ethical alternative. We can distinguish between four views of ethical behaviours which help in ethical decision making. They are:

- Utilitarian view: It is based on the notion that ethics should deliver the greatest number of people.
- Individualism view: This view seeks to advance the long term self-interest of individuals.
- Moral right view: This emphasizes respect for and protection of the fundamental right of people.
- Justices view: Ethical behaviour or decision should treat people impartially and fairly according to guiding rules and standards.

Ethical decisions are influenced by three key factors: Individual moral standards, the influence of managers and co-workers and the opportunity to engage in misconduct. While one may have great control over personal ethics outside the workspace, co-workers and the management exert significant control on one's choices at work. The activities and examples set by co-workers along with rules and policies are critical in gaining consistent ethical compliance in an organization. If a company fails to provide good examples and direction for appropriate conduct, confusion and conflict will develop and result in the opportunity for unethical behaviour. Example: If the boss or co-workers leave work early, one may be tempted to do so as well. If one sees co-workers making personal long distance phone calls at work and charging them to the company, one may be more likely to do so also. In addition having sound personal values contributes to an ethical work place. Steps in Ethical decision making can be listed as below:

(1) Collect the facts.

(2) Define the ethical issues.

(3) Identify the affected parties.

(4) Identify the consequences.

(5) Identify obligations say as to principles, rights, justice etc.

(6) Consider your character and integrity.

(7) Think creatively about potential actions.

(8) Check your gut.

(9) Decide on the proper ethical action and be prepared to deal with opposing arguments.

According to the Merriam Webster Dictionary, dilemmas are situations or problems where a person has to make a difficult choice; an ethical dilemma is a problem where a person has to choose between a moral and an immoral act. An ethical dilemma is defined as a complex situation that will often involve an apparent mental conflict between moral imperatives in which to obey one would result in transgressing another. When individuals are faced with an ethical question, we tend to search for a "correct answer" when responding.

Ethical dilemmas are not only faced by organisations, but by individuals as well, and perhaps this is one of the root causes of ethical decay in society. The ethics level in corporate India is definitely lacking, especially among certain sections. Once you start questioning, the whole system will collapse.

In an environment where unethical behaviour is almost "rewarded" people tend to conform to the norm. They fear losing their jobs and then start rationalising why they too, make poor ethical decisions. Researchers and psychologists, says "good people" can make "poor ethical decisions". In many instances unethical behaviour spreads like a cancer, because of a lack of accountability.

The focus on core values and sound ethics, the hallmark of ethical management, is being recognized as an important way to ensure the long-term effectiveness of governance structures and procedures and avoid the need for whistle-blowing. Employers, who understand the importance of work place ethics, provide their workforce with an effective framework and guiding principles to identify and address ethical issues as they arise. Measures to ensure ethics in the workplace are:

- Have a code of conduct and ethics.
- Establish open communication.
- Make ethics decisions in group and make decision public wherever appropriate.
- Integrate ethics management with other management practices.
- Use of cross-functional teams when developing and implementing the ethics management programme.
- Appointing an ombudsman.
- Creating an atmosphere of trust.
- Regularly updating of policies and procedures.
- Include a grievance policy for employees 10. Set an example from the top.

The principles of ethics that help us solve ethical dilemmas in everyday life are the same principles that provide guidance in business, health care, law, and education: (1) Do No Harm. (2) Make Things Better. (3) Respect Others. (4) Be Fair. (5) Care.

Many times the ethics challenges the profit motive and it creates the dilemma. It is very difficult to make choice between ethics and profit motive. E.g. If the doctors wishes to have lots of patients is against the ethics but in favour of his profit. We can take the following steps to come out of this dilemma:

(1) Analyse the situation,

(2) Find out reasons of situation,

(3) Check your own intention,

(4) Confirm that your profit motive is not harmful to any one,

(5) Confirm that it is not harmful to the person relying on you E.G. your family.

(6) Recognize Unethical Requests and Bosses.

(7) Buy Time.

(8) Find a Mentor & Peer Support Group.

(9) Find "Win-Win" Solutions.

(10) Work Within the Firm to Stop the Unethical Act.

(11) Prepare to Lose Your Job. This can be Last resort because it's difficult to make change effectively from the outside.

In this way, the person can make combination of ethics & profitability and resist unethical behaviour.

Threshold to Ethical Excellence:

What will you do and why?

(1) **Receiving a Diwali Gift:** A supplier sends a basket of expensive foodstuffs to your home at Diwali with a card: "We hope you and your family enjoy the 'Mithas.'". What action(s) might you want to take?

(2) **Sales Expense:** The purchasing manager for a large company agrees to give you an order (their first), expecting you agree to make a Rs. 5,000 donation to his favourite charity, a local youth sports team. How do you respond?

(3) **Gratuities:** A customer has a large sailing yacht on a vessel that your company will be discharging. The customer is present and is watching the off-loading operation. The five stevedores you manage pull off a very tricky manoeuvre, safely transferring the yacht to the trailer. The customer is delighted, and reaches into his pocket, pulling out a big pile of Rs. 50,000. What do you do?

(4) **Conflict of Interest:** As department manager, you are hosting an informal celebration in the office. The food budget is Rs. 20,000. Your next door neighbour has just started her own catering business and asks to supply the food. Since she is just starting out, she'll do it at cost and provide extra items at no charge. What might you want to consider?

(5) **More Competition:** You are in a head-to-head battle with your arch competitor, Evil Enterprises. One of your co-workers approaches you. He has recently joined your company after having worked for a second competitor for several years. He suggests, "I made notes on all of Evil's bids when I could get the data. They use some clear cost standards. Would you like me to bring my notes to the office tomorrow and let you look through them?" How do you respond?

Objective Questions with Answers

(1) **Multi Choice Questions (MCQs):**

(1) _____: It is based on the notion that ethics should deliver the greatest number of people.
(a) Utilitarian view (b) Individualism view (c) Moral right view (d) Justices view

(2) _____: This view seeks to advance the long term self-interest of individuals.
(a) Utilitarian view (b) Individualism view (c) Moral right view (d) Justices view

(3) _____: This emphasizes respect for and protection of the fundamental right of people.
(a) Utilitarian view (b) Individualism view (c) Moral right view (d) Justices view

(4) _____: Ethical behaviour or decision should treat people impartially and fairly according to guiding rules and standards.
(a) Utilitarian view (b) Individualism view (c) Moral right view (d) Justices view

(5) What is right or wrong is consistent in all places or circumstances is called ethical _____.
(a) Subjectivism (b) Relativism (c) Absolutism (d) feminism

(6) _____ is the study of principles, rules, or theories that guide our actions and judgments, To determine what actually is morally right or wrong
(a) Normative ethics (b) Descriptive ethics (c) Analytical ethics (d) Applied ethics

(7) _____ is analytical, critical thinking about the presuppositions of normative ethics
(a) Normative ethics (b) Descriptive ethics (c) Metaethics (d) Applied ethics

(8) _____ is the branch of ethics which consists of the analysis of specific, controversial moral issues.
(a) Normative ethics (b) Descriptive ethics (c) Metaethics (d) Applied ethics

(9) _____ is an ethical doctrine that holds that individuals have a moral obligation to help, serve, or benefit others, if necessary at the sacrifice of self-interest.
(a) Ethical Altruism (b) Ethical egoism (c) Utilitarianism (d) Absolutism

(10) _____ is the normative ethical position that moral agents ought to do what is in their own self-interest.
(a) Ethical Altruism (b) Ethical egoism (c) Utilitarianism (d) Absolutism

(11) _____ Ethics is Depending on prevailing circumstance.
(a) Contextual ethics (b) Contemporary ethics (c) Cognitive ethics (d) Virtue ethics

(12) According to _____ Emotions influence decision making.
(a) Contextual ethics (b) Contemporary ethics (c) Cognitive ethics (d) Virtue ethics

(13) _____ emphasizes the role of one's character and the virtues that one's character embodies for determining or evaluating ethical behaviour.
(a) Contextual ethics (b) Contemporary ethics (c) Cognitive ethics (d) Virtue ethics

(14) _____ is an ethical system that determines morality on the basis of the greatest good for the greatest number.
(a) Ethical Altruism (b) Ethical egoism (c) Utilitarianism (d) Absolutism

(15) According to _____ Culture dependent approach to the concept of morality.
(a) Moral ethics (b) Contemporary ethics (c) Cognitive ethics (d) Virtue ethics

Ans.:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
a	b	c	d	c	a	c	d	a

(10)	(11)	(12)	(13)	(14)	(15)
b	a	c	d	c	a

(2) State True or False:
(1) Ethical Subjectivism is also called "Situational Ethics".
(2) Ethical Relativism is also called "Situational Ethics".
(3) When in Rome, do as the Romans do" is ethical relativism.
(4) Normative ethics is the scientific study of moral beliefs and practices.
(5) Altruism means unselfish concern for the welfare of others.
(6) Contemporary ethics refers to Concept of ethics is stationary and do not change.
(7) Virtue ethics is person rather than action based.
(8) Culture is the ultimate force on ethics.
(9) Ethics is the branch of philosophy concerned with human values and conduct, moral duty, and obligation.

Ans.:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
False	True	True	False	True	False	True	False	True

Questions for Self-Practice

(I) Short Questions:
(1) Kantianism.
(2) Utilitarian ethics.
(3) Trusteeship.

(II) Brief Questions:
(1) Explain various Ethical theories.
(2) Explain Kantian normative ethical principles.
(3) Describe utilitarian ethics.
(4) Explain Aristotle's virtue ethics.
(5) Explain Importance And Relevance of Trusteeship Principle in Modern Business.
(6) Describe criticism of Trusteeship Principle in Modern Business.
(7) What is ethical decision making? Why is it relevant in business?
(8) What do you understand by ethical dilemma? How to overcome that?
(9) Explain steps in ethical decision making.

Suggested Project Topics from the chapter:
(1) A study on applicability of Gandhian Trusteeship on banking sector.
(2) Relevance of Trusteeship Principle in Modern Insurance Business.

(3) A study on Ethical dilemma of modern managers in banking sector.

(4) A study on Ethical dilemma of modern managers in insurance sector.

(5) Overcoming Ethical Dilemma: A study in Insurance sector.

(6) Overcoming Ethical Dilemma: A study in Banking sector.

(7) A study on Ethical decision making by Generation XYZ managers.

(8) Role of utilitarianism on decision making.

(9) Impact of virtue ethics on managerial decision making.