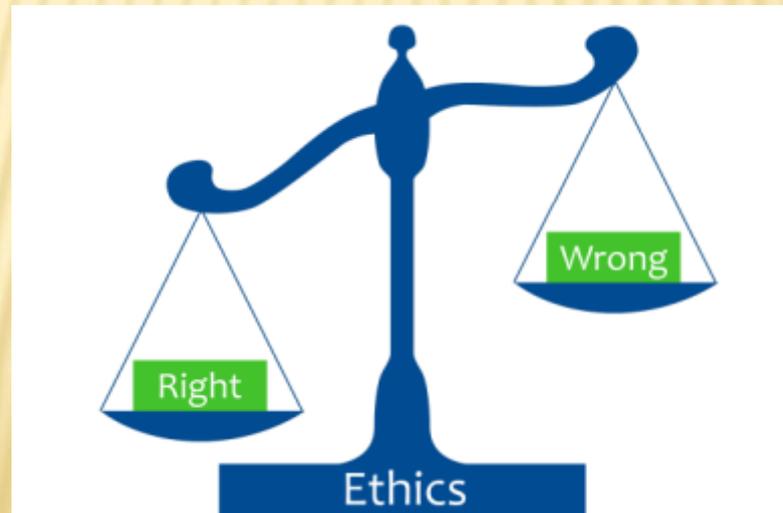

Business Ethics

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Unit-1

Business ethics



LEARNING OBJECTIVES

- Understand meaning, scope, characteristics and importance of business ethics
- Arguments for and against business ethics
- Basics of business ethics
- Corporate social responsibility
- Issues and crisis of management

ETHIC AND BUSINESS

✘ Business ethics before 1960

To check unwanted price increases

Promote living wage

Generation of employment, improve agriculture

Promote business activity

✘ 1960-1970

Protecting consumer interest was focused based on rights of consumers

What is Ethics?

Derived from Latin
word ethicus

Work out from human reason and experience by which free human actions are determined as ultimately right or wrong, good or evil.

**Means character or
manner**

**Concepts of rights
and wrongs**

Greek Word
'ethikos'

- Ethics is a set of standards
- Many people think ethics has to do with set of social conventions or religious decree.
- Value system

- If an action agrees with these standards then ethical and if not it is unethical

Ethics refers to the assessment of Ethical values Philosophy, and principles of human being conduct and its purpose in daily life to establish acceptable human performance

ETHICS AND BUSINESS

Before 1960- Ethics first introduced in business

To check unwarranted price increase

To promote living wage(America experienced great depression)

Healthy labour practices

Principles of capitalism

1960-1970

- ✘ Consumer rights introduced in the U.S
- ✘ There was a critic on general motors for giving prominence to profit and style rather safety
- ✘ Several laws were passed across regarding the consumer protection

1970-1980

Business Ethics emerged as an area of concern

- ✘ During this period social responsibility had become popular
- ✘ Political scandals across the globe opened the eyes of public on the importance of ethics in public administration

1980-1990

Period of consolidation

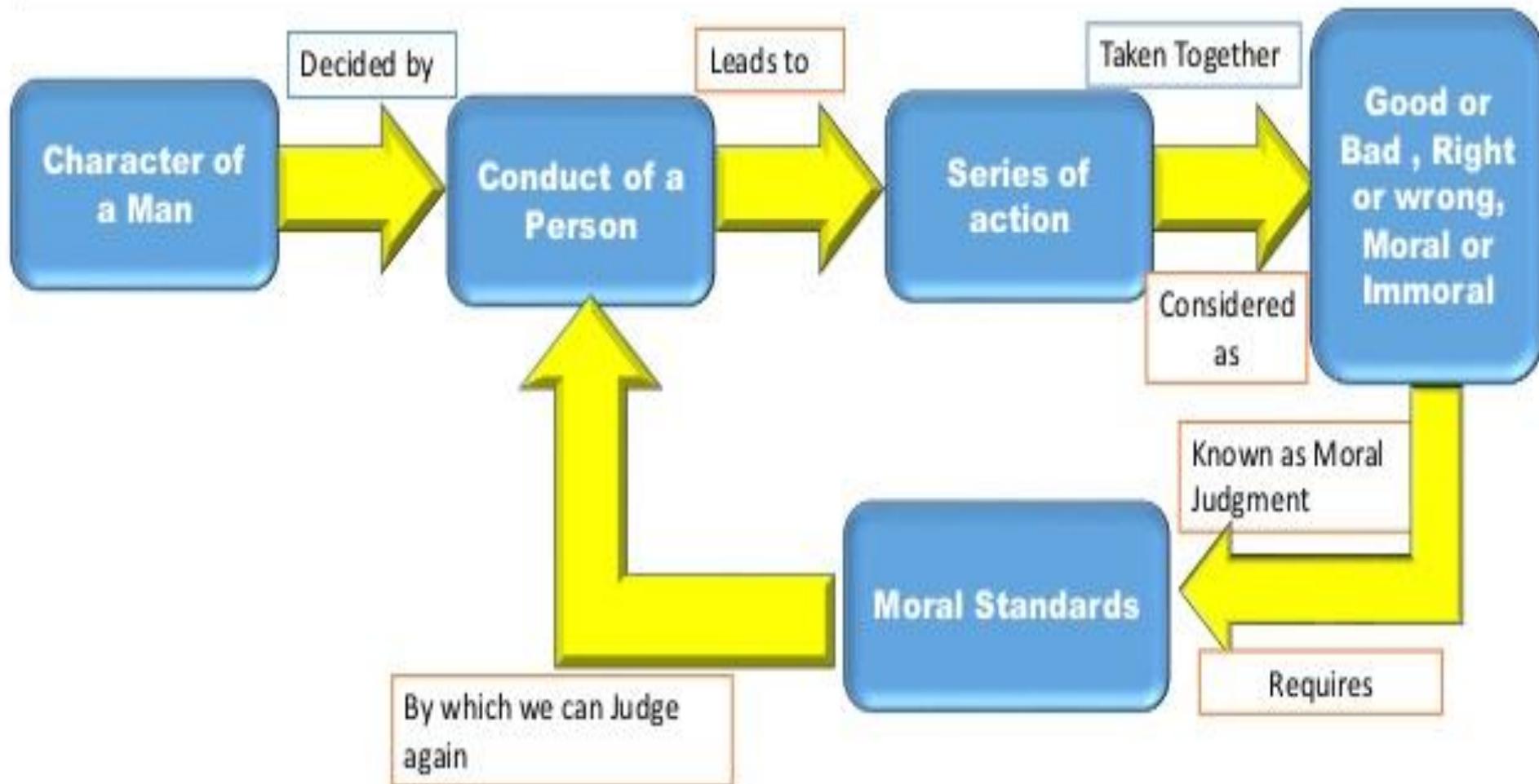
The academic circle had acknowledged and accepted business ethics as a field of study

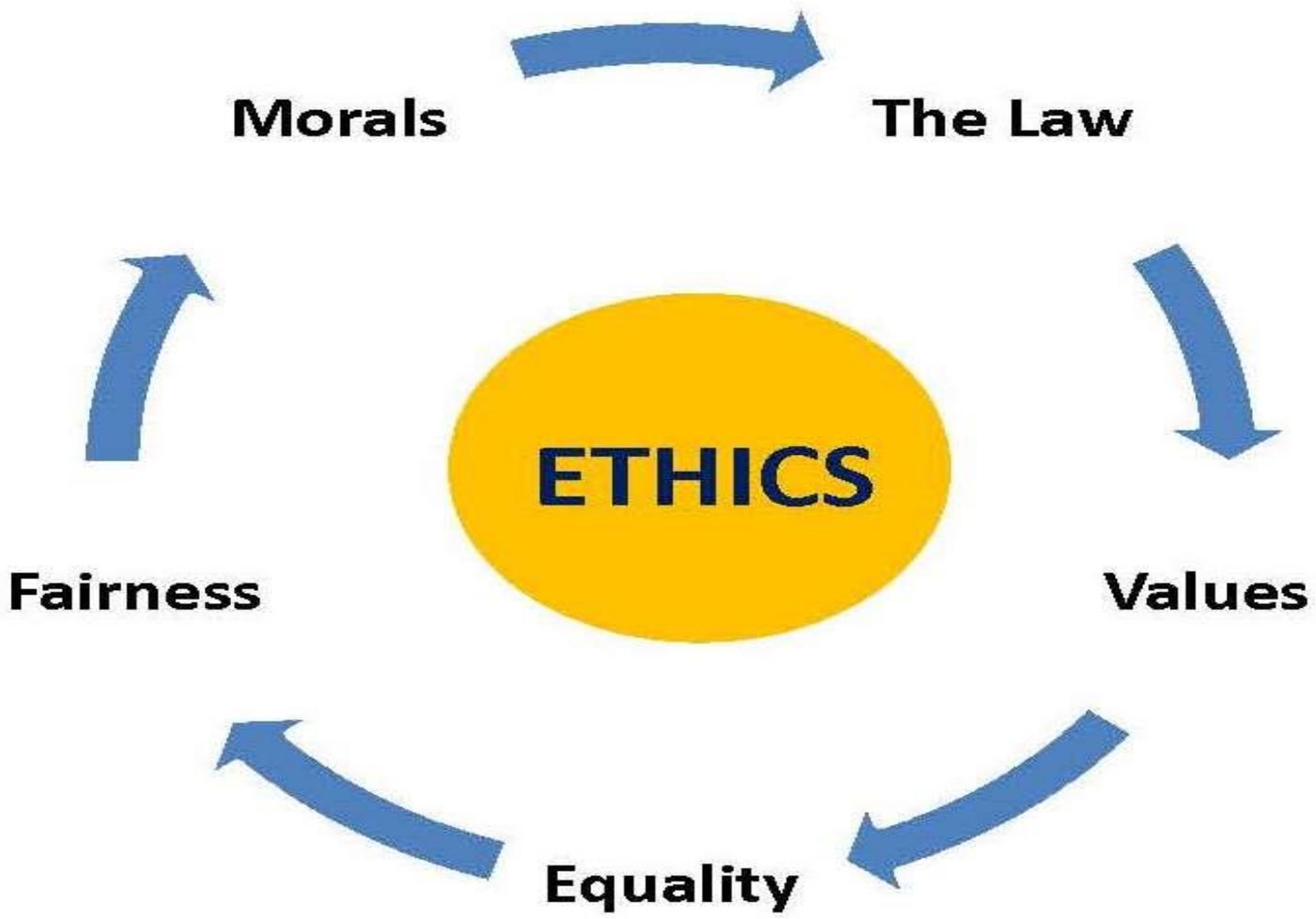
It started as a area of expertise in academics

1990- MODERN TIMES

- ✘ The concept of globalization paved way for combined culture which also had negative impacts
- ✘ To overcome cross culture limitations principles of ethics took over to remind the human culture

Can you Sum up the meaning of ethics?





What are the objectives of Ethics?

- 1. Deal with human behavior**
- 2. Assess Whether a particular act or decision taken by individual is moral or not**
- 3. Establish moral standards and norms and behavior**
- 4. Judge human behavior based on standard**
- 5. Assess the human behavior and express the opinion**
- 6. Set the standard code for moral behavior**

What is the basic difference between Ethics and Law?

Basis of difference	Ethics	Laws
Meaning	Cannot be legislated. Examines both individual and social good in all dimensions	Concerned with regulations necessary for public order
Ethics and law are quiet independent of each other. What is lawful need not be ethical.		

- **Business ethics are moral principles** that define right and wrong behaviour in the world of business.
- What constitutes right and wrong behaviour in business is determined by the public interest groups, and business organisations, as well as an individual's personal morals and values

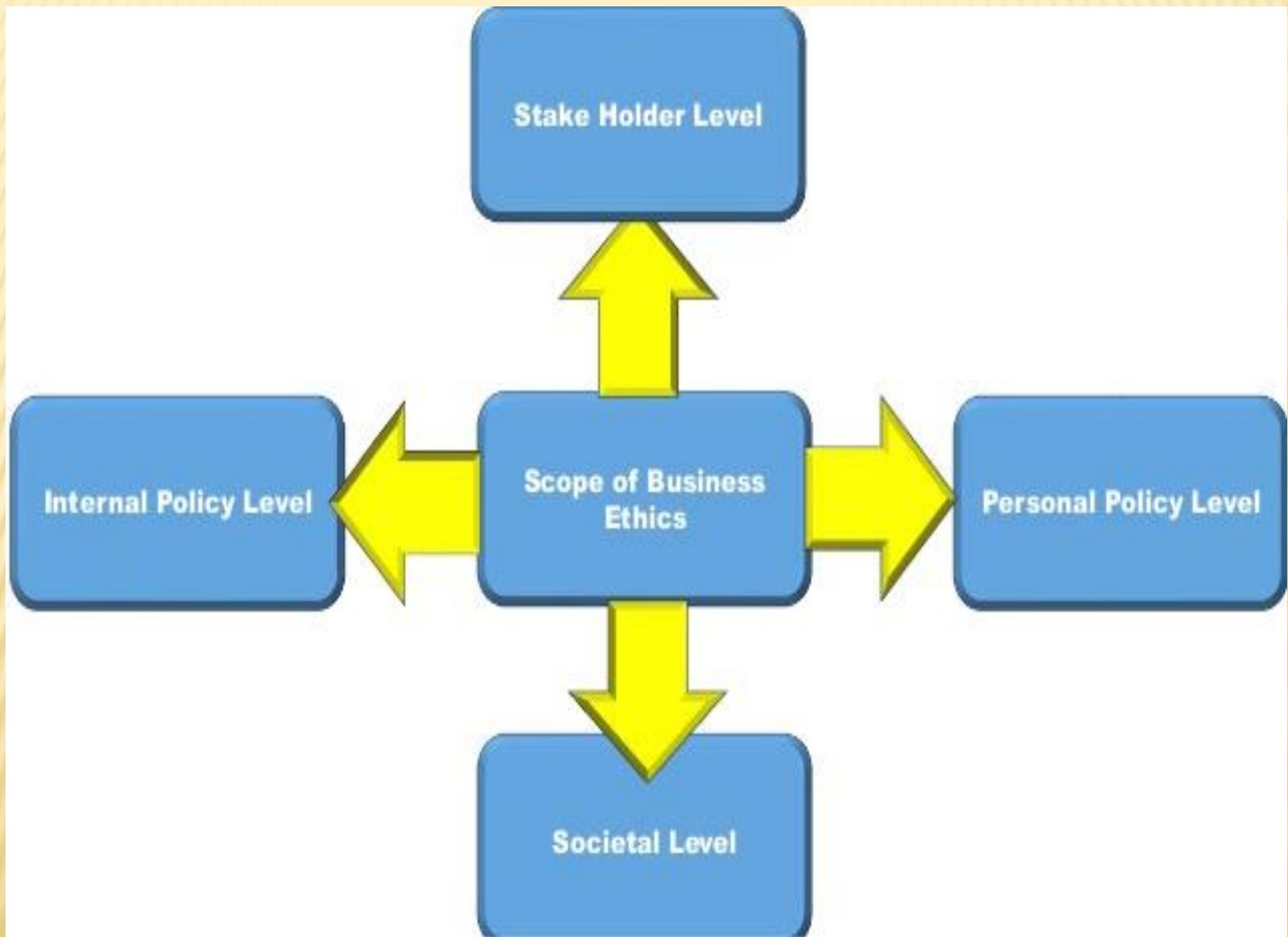
**Business ethics are the application of
general ethical rules to business
behaviour**

PERSONAL ETHICS

- ✘ Personal ethics refer to a person's personal or self-created values and codes of conduct.
- ✘ Common examples may include honesty, openness, commitment, unbiased behaviour and sense of responsibility

PROFESSIONAL ETHICS

- ✘ Professional ethics are those values and principles that are introduced to an individual in a professional organisation.
- ✘ Each employee is meant to strictly follow these principles. They do not have a choice.



ETHICS IS MAINLY DIVIDED INTO FOUR MAJOR AREAS OF STUDY:

- ✘ Meta-ethics: It is the branch of ethics that seeks to understand the nature of ethical properties, statements, attitudes, and judgments about the theoretical meaning and reference of moral propositions. Meta-ethics is generally studied by philosophers addresses questions such as "What *is* goodness?" and "How can we tell what is good from what is bad?", seeking to understand the nature of ethical properties and evaluations
- ✘ Normative Ethics: about the practical means of determining a moral course of action addresses such questions as "What should I do?", thus endorsing some ethical evaluations and rejecting others

- ✘ Applied Ethics : It is concerned with the analysis of particular moral issues in private and public life about how moral outcomes can be achieved in specific situations;
- ✘ Descriptive Ethics: also known as comparative ethics, is the study of people's beliefs about morality. It is founded on the belief that humans are 'hard-wired' to be selfish. That is, they are for the most part absorbed in fulfilling their own desires and goals

Types of Ethics

- **There are three different types**
- **1. Transactional Ethics**
- **2. Participatory Ethics**
- **3. Recognitional Ethics**

TYPES OF ETHICS

- ❖ **Transactional ethics-** Man is a social animal. He has to act and react with others through different transactions. The practices of ethics in all these transactions is called as transactional ethics
- ❖ **Participatory ethics-** Guided by common good, all the participations follow some ethical practices.
- ❖ **Recognition ethics-** As human beings, people are endowed with the ability to understand the problems of others. This quality leads to the recognition of individuals, institutions and societies, conflicting situations can be solved by the correct recognition of the situation.

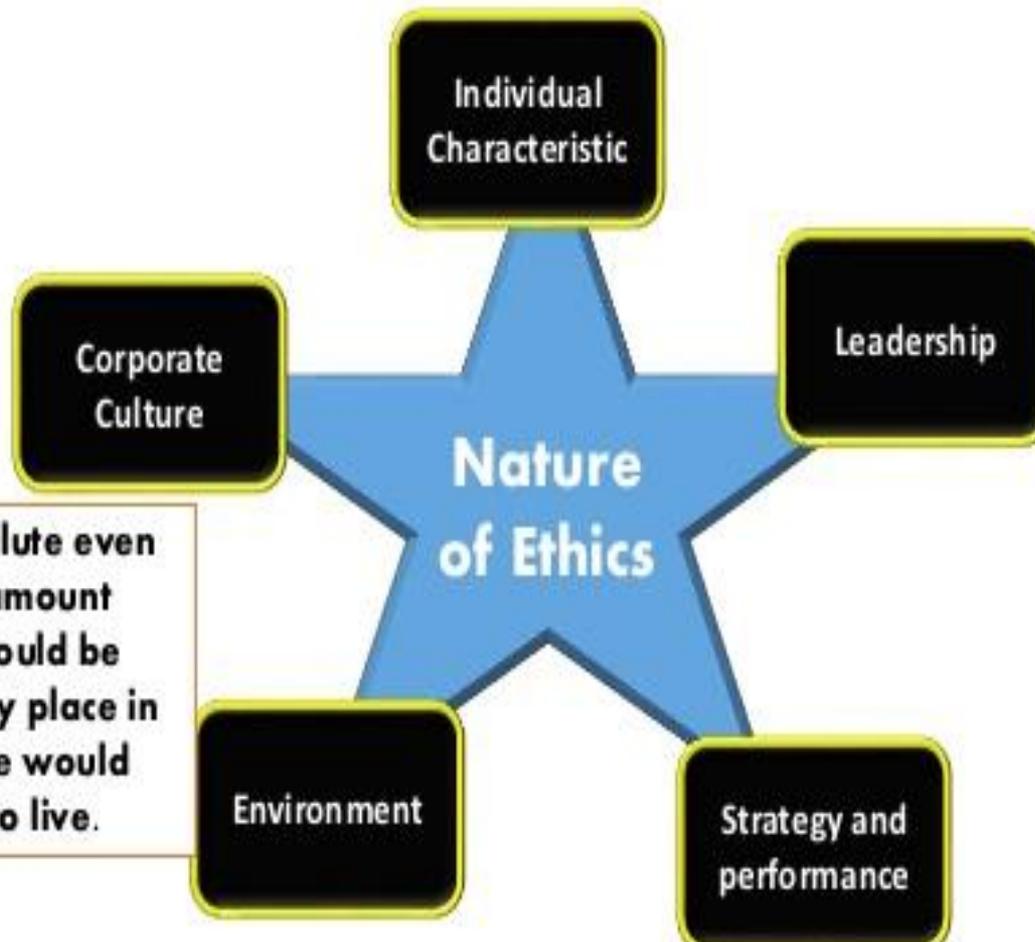
Eg: The strong is helping the weak

The learned is helping the lesser learned.

The experienced is helping the new entrant



What are the factors influence the Business Ethics?



The quality and worth of leadership can only be measured in terms of what a leader intends, values believes in or stands for. In other words character

The leader has to foster learning, offering choice and building consensus

In order to act with integrity the firm should articulate its value- Mission, Conduct and code of ethics

If we pollute even a small amount world would be very dirty place in which we would not like to live.

FACTORS INFLUENCING CONT.D

- ✘ Personal code of behaviour
- ✘ Company's policy
- ✘ Ethical standards imposed on managers
- ✘ Ethical climate of the country
- ✘ Unhealthy competition
- ✘ Abnormal profit motive
- ✘ Political interference
- ✘ Political uncertainty
- ✘ Corruption
- ✘ Lack of education

ARGUMENTS FOR BUSINESS ETHICS

- ✘ Holistic Approach
- ✘ Leadership
- ✘ Employee commitment
- ✘ Investor loyalty
- ✘ Customer satisfaction
- ✘ Business is a cooperation effort
- ✘ Higher profits
- ✘ Changing mind
- ✘ set of stake holder
- ✘ Necessity of minimum ethics
- ✘ Long term implication

ARGUMENT AGAINST BUSINESS ETHICS

- ✘ No need of ethics separately
- ✘ Demand and supply forces
- ✘ Compliance of law
- ✘ Conflicts of interest
- ✘ Profit is the objective of business
- ✘ Poor moral standards of society

SOCIAL RESPONSIBILITY

- ✘ It is an ethical theory that an entity has a big responsibility to the society at large

Entity-government, corporation, organization or individual

- ✘ It is an obligation of organization management to make decision and to take actions that will enhance the welfare of the society

AREAS OF SOCIAL RESPONSIBILITY

- ✘ The employees
- ✘ Community
- ✘ Providers
- ✘ Environment
- ✘ Consumers
- ✘ government

SOCIO ECONOMICS OR SOCIAL ECONOMICS

- ✘ Use of economics in the study of society
- ✘ It studies the relation between economics and social values
- ✘ It is a discipline studying the reciprocal relationship between economic science , social philosophy, ethics and human dignity

SOCIO-ECONOMIC IMPACTS

- ✘ New technologies
- ✘ Change in laws
- ✘ Changes in physical environment
- ✘ Ecological changes

KINDS OF RESPONSIBILITY

- ✘ CSR originated in 1950's when American corporations (1960 and 1970) realised problems on poverty, unemployment, race relations, urban population,
- ✘ In 20th century CSR started changing focusing on

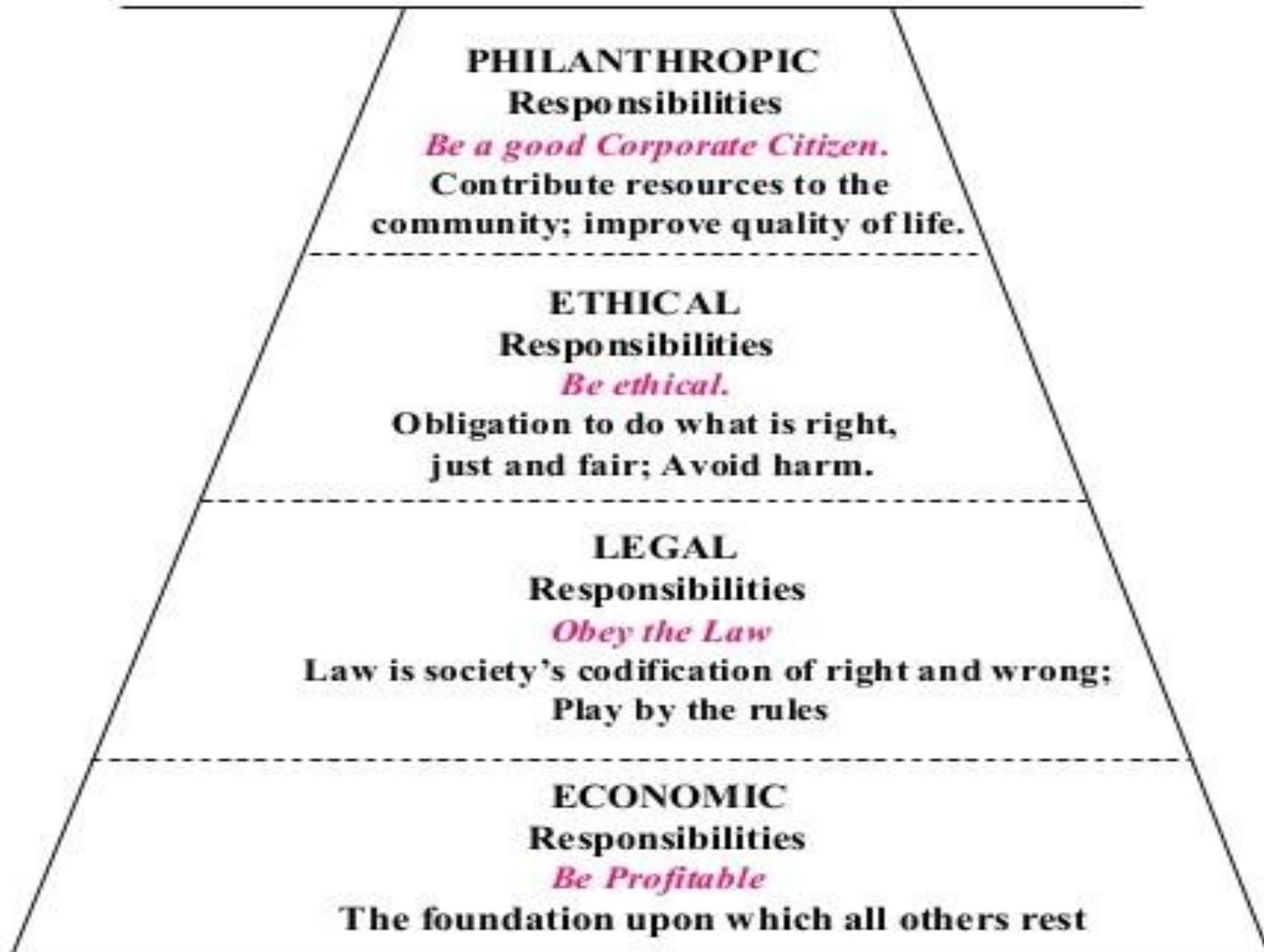
Economic issues

Competitive issues

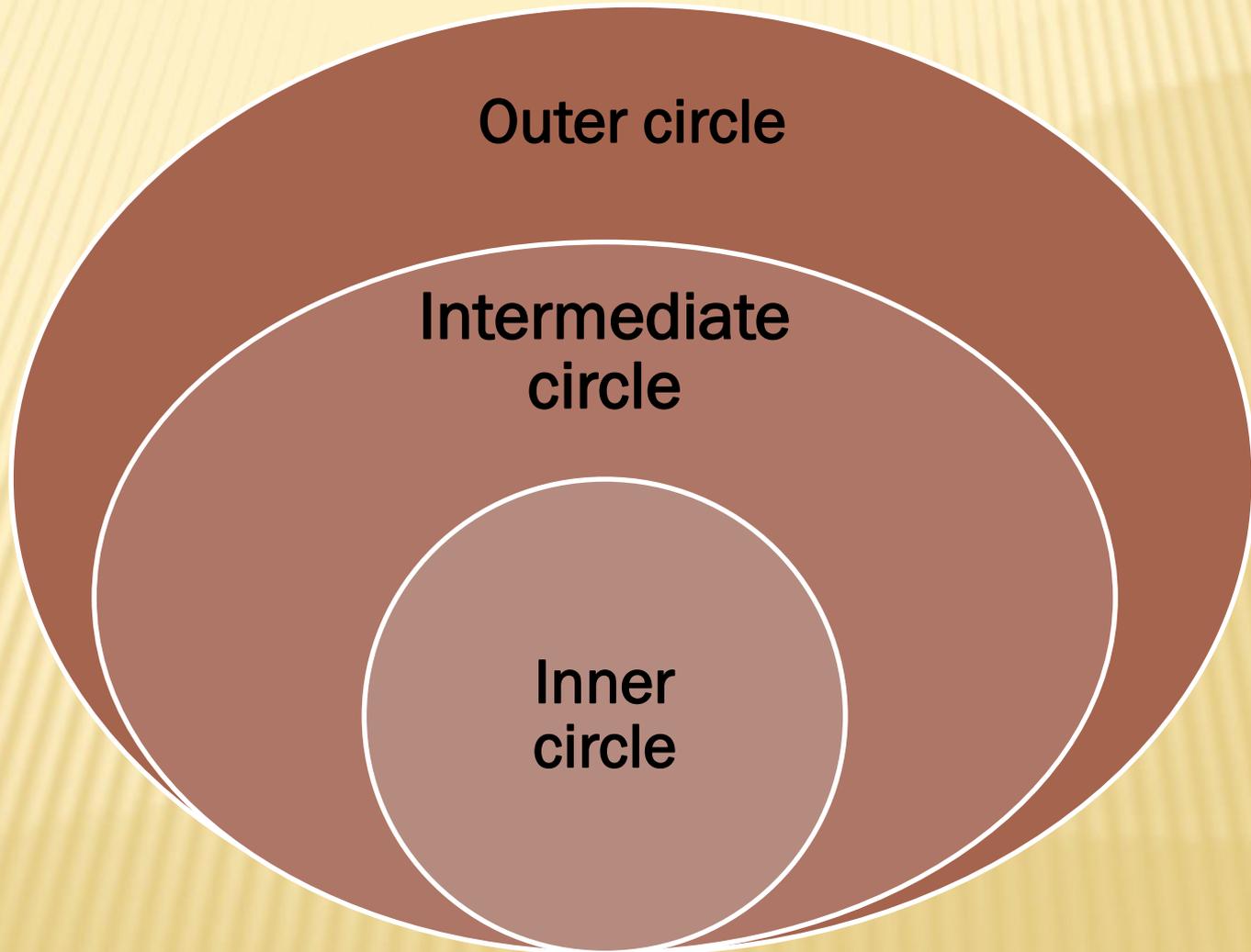
Legal and regulatory issue

Philanthropic issues

The Pyramid of Social Responsibility



CORPORATION'S RESPONSIBILITY (BASIC RESPONSIBILITY)



THE FOUR FACES OF SOCIAL RESPONSIBILITY

	Illegal	Legal
Irresponsible	A	C
Responsible	B	D

ASPECTS OF ENTERPRISE SOCIAL RESPONSIBILITY

- ✘ Economic Responsibility
- ✘ Legal Responsibility
- ✘ Ethical Responsibility
- ✘ Discretionary Responsibility



CORPORATE SOCIAL RESPONSIBILITY

- ✘ Originated in 1950's in USA and the concept had lots of social problems to be addressed like poverty, unemployment, race, urban plight, pollution.
- ✘ Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large

ARGUMENTS FOR CSR

- ✘ Business should respond to the demands of the society
- ✘ The self interest of business is best served by meeting the aspirants of the society
- ✘ To improve the public image of business
- ✘ It is the moral activity.

ARGUMENTS AGAINST CSR

- ✘ Responsibility of Government
- ✘ Conflicting considerations of private market mechanism and social responsibility
- ✘ Disregard of market mechanism
- ✘ Arbitrary power of businessmen

CSR ISSUES OF MANAGEMENT

Meaning Of issue- An issue is a matter that is in dispute between the 2 parties

Business Ethics deals with different issues connected with day to day administration and policy formulation of the business. These issues regarding policies are to be addressed for smooth functioning of the business which focuses on issues management

CSR ISSUES MANAGEMENT CONSIST OF THE FOLLOWING STEPS

- ✘ Identification of the issue
- ✘ Analysis of the issue
- ✘ Prioritization of issue
- ✘ Formulation of various responses
- ✘ Effective implementation of issue
- ✘ Periodic evaluation, monitoring and control of results

CRISIS MANAGEMENT

- ✘ Crisis is a major unpredictable event that has potentially negative results that can significantly damage an organization
- ✘ There are many crisis like natural, economic, informational, reputational and human related

There are 3 important stages in managing a business crisis

- ✘ Identification of the crisis
- ✘ Isolation of the crisis
- ✘ managing the crisis

- ✘ Crisis management refers to the application of strategies considered to help an organization with a sudden and significant negative event

VARIOUS CSR ISSUES OF MANAGEMENT

- ✘ Improved customer attention
- ✘ Rising investor stress
- ✘ The decreasing responsibility of government
- ✘ Demands for greater disclosure
- ✘ Aggressive labour markets

THANK YOU