

Ethics and Value

Unit-2

(Ms. Varsha)

Meaning of Business Ethics

- Business Ethics refers to the moral, Principles which should govern business activities.
- Business ethics provides a Code Of Conduct for the manager
- Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed.
- The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly.

Elements of Business Ethics

- Honesty
- Discipline
- Helping Attitude
- Guiding Force
- Equality
- Fair and Reasonable Treatment
- Follow Rules and regulation
- Informed

Nature of Business Ethics

- **Code of conduct** : Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society. All businessmen must follow this code of conduct.
- **Based on moral and social values** : Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection and welfare, service to society, fair treatment to social groups, not to exploit others, etc.
- **Gives protection to social groups** : Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.
- **Provides basic framework** : Business ethics provide a basic framework for doing business. It gives the social cultural, economic, legal and other limits of business. Business must be conducted within these limits.

Voluntary : Business ethics must be voluntary. The businessmen must accept business ethics on their own. Business ethics must be like self-discipline. It must not be enforced by law.

Requires education and guidance : Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.

Relative Term : Business ethics is a relative term. That is, it changes from one business to another. It also changes from one country to another. What is considered as good in one country may be taboo in another country.

New concept : Business ethics is a newer concept. It is strictly followed only in developed countries. It is not followed properly in poor and developing countries.

Importance of Business Ethics

- **Long-term growth**: sustainability comes from an ethical long-term vision which takes into account all stakeholders. Smaller but sustainable profits long-term must be better than higher but riskier short-lived profits.
- **Cost and risk reduction**: companies which recognize the importance of business ethics will need to spend less protecting themselves from internal and external behavioral risks, especially when supported by sound governance systems and independent research
- **Limited resources**: the planet has finite resources but a growing population; without ethics, those resources are depleted for purely individual gain at huge cost both to current and future generations.

SCOPE OF BUSINESS ETHICS

Ethical problems and phenomena arise across all the functional areas of companies and at all levels within the company.

- **1.Ethics in Compliance**

Compliance is about obeying and adhering to rules and authority. The motivation for being compliant could be to do the right thing out of the fear of being caught rather than a desire to be abiding by the law. An ethical climate in an organization ensures that compliance with law is fuelled by a desire to abide by the laws. Organizations that value high ethics comply with the laws not only in letter but go beyond what is stipulated or expected of them.

2.Ethics in Finance

The ethical issues in finance that companies and employees are confronted with include:

- In accounting – window dressing, misleading financial analysis.
- Related party transactions not at arm's length
- Insider trading, securities fraud leading to manipulation of the financial markets.
- Executive compensation.
- over billing of expenses, facilitation payments.
- Fake reimbursements

3.Ethics in Human Resources

Human resource management (HRM) plays a decisive role in introducing and implementing ethics. Ethics should be a pivotal issue for HR specialists. The ethics of human resource management (HRM) covers those ethical issues arising around the employer-employee relationship, such as the rights and duties owed between employer and employee.

The issues of ethics faced by HRM include:

- Discrimination issues i.e. discrimination on the bases of age, gender, race, religion, disabilities, weight etc.
- Sexual harassment.
- Affirmative Action.
- Issues surrounding the representation of employees and the democratization of the workplace, trade unionization.
- Issues affecting the privacy of the employee: workplace surveillance, drug testing.
- Issues affecting the privacy of the employer: whistle-blowing.
- Issues relating to the fairness of the employment contract and the balance of power between employer and employee.
- Occupational safety and health.

Ethics in Marketing

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:

- Pricing: price fixing, price discrimination, price skimming.
- Anti-competitive practices like manipulation of supply, exclusive dealing arrangements, tying arrangements etc.
- Misleading advertisements
- Content of advertisements.
- Children and marketing.

Ethics of Production

This area of business ethics deals with the duties of a company to ensure that products and production processes do not cause harm. Some of the more acute dilemmas in 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, or the degree of permissibility may depend on the changing state of preventative technologies or changing social perceptions of acceptable risk.

- Defective, addictive and inherently dangerous products and
- Ethical relations between the company and the environment include pollution, environmental ethics, and carbon emissions trading.
- Ethical problems arising out of new technologies for eg. Genetically modified food
- Product testing ethics.

ADVANTAGES OF BUSINESS ETHICS

- Attracting and retaining talent
- Investor Loyalty
- Customer satisfaction
- Regulators

Factors influencing Business Ethics

1. Personal Code of Ethics

- A man's personal code of ethics that is what one considers moral is the foremost responsible factor influencing his behavior.

2. Legislation

- It is already stated that the Government will intervene and enact laws only when the businessmen become too unethical and selfish and totally ignore their responsibility to the society. No society can tolerate such misbehavior continuously. It will certainly exert pressure on the Government and the Government consequently has no other alternative to prohibit such unhealthy behavior of the businessmen.

3. Government Rules and Regulations

- Laws support Government regulations regarding the working conditions, product safety, statutory warning etc. These provide some guidelines to the business managers in determining what are acceptable or recognized standards and practices.

4. **Ethical Code of the Company**

- When a company grows larger, its standard of ethical conduct tends to rise. Any unethical behavior or conduct on the part of the company shall endanger its established reputation, public image and goodwill. Hence, most companies are very cautious in this respect. They issue specific guidelines to their subordinates regarding the dealings of the company.

5. **Social Pressures**

- Social forces and pressures have considerable influence on ethics in business. If a company supplies sub-standard products and get involved in unethical conducts, the consumers will become indifferent towards the company. Such refusals shall exert a pressure on the company to act honestly and adhere strictly to the [business ethics](#). Sometimes, the society itself may turn against a company.

6. **Ethical Climate of the Industry**

- Modern industry today is working in a more and more competitive atmosphere. Hence only those firms, which strictly adhere to the ethical code, can retain its position unaffected in its line of business. When other firms, in the same industry are strictly adhering to the ethical standards, the firm in question should also perform up to the level of others. If the company's performance is below than other companies, in the same industry, it cannot survive in the field in the long run.

Factors affecting business ethics

- The individual's personal code of behavior
- Ethical standards imposed on a manager by his superiors
- Policies of the company
- ethical climate of a country