

M. COM. SEM. - II

MC 201 Business Ethics and Corporate Governance

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Meaning of Business Ethics

Business ethics is a subjective term. However, it is easy to identify unethical business practices in an organization, such as employing child labor, taking bribes, or illegally using copyrighted materials. Various business management concepts, principles, theories, practices, goals and strategies have been under evaluation, revalidation and constant change consequent upon massive liberalisation, privatisation and globalisation of business initiated towards the end of the 20th Century and geared up in the beginning of the present century. Ethical behaviour not only improves profitability but also fosters business relations and employees productivity. Business ethics is concerned with the behaviour of businessman in doing a business. Unethical practices create problems to businessman and business units.

The term 'Business Ethics' refers to the system of moral principles and rules of the conduct applied to business. Business being a social organ shall not be conducted in a way detrimental to the interests of the society and the business sector itself. Every profession or group frames certain do's and do not's for its members. The members are given a standard in which they are supposed to operate. These standards are influenced by the prevailing economic and social situations. The codes of conduct are periodically reviewed to suit the changing circumstances.

When ethical guidelines are followed, trust is developed between the employees and management, as well as the public and the corporation. Thus, business ethics leads to a more productive workplace.

“Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as recognizing the moral responsibility for the tightness and wrongness of business conduct” -Wheeler.

“Business Ethics is generally coming to know what is right or wrong in the work place and doing what is right. This is in regard to effects of products/services and in relationship with the stake holders.” —Cater Mcnamara

“Business ethics in short can be defined as the systematic study of ethical matters pertaining to the business, industry or related activities, institutions and beliefs. Business ethics is the systematic handling of values in business and industry.” —John Donaldson

There is no unanimity of opinion as to what constitutes business ethics. There are no separate ethics of business but every individual and organ in society should abide by certain moral orders.

Business ethics differ from industry to industry, and country to country. The nature of a business's operations has a major influence on the ethical issues with which it must contend. For example, an ethical quandary arises for an investment brokerage when the best decision for a client and his or her money does not coincide with what pays the brokerage the highest commission. A media company that produces TV content aimed at children may feel an ethical obligation to promote good values and eschew off-color material in its programming.

Important of Business Ethics:

1. Ethics are *principles, values and beliefs* that define what is right and wrong behaviour.
2. Ethics should be *fixed for everyone* working in the organisation at any level and their implementation should be linked with reward- punishment system.
3. Any *violation of ethics* should be detected at the earliest and remedial measures taken immediately.
4. Business ethics should be *based on broad guidelines* of what should be done and what should be avoided.
5. The ethics should be *based on the perception* of what is right.

6. Ethical standards are *ideals of human conduct*. Defining ethical standards is not an easy task.
7. A business should aim to have *fair dealing* with everyone dealing with it.
8. Ethics are broader than what is stated by *law, customs and public opinion*.

Important features of Business Ethics

1. Business ethics provide basic guidelines and parameters towards most appropriate perfections in business scenario.
2. Business ethics are based on social values, as the generally accepted norms of good or bad and 'right' and 'wrong' practices.
3. It is based on the social customs, traditions, standards, and attributes.
4. Business ethics may determine the ways and means for better and optimum business performance.
5. Business ethics is concerned basically the study of human behaviour and conducts.
6. Business ethics is a philosophy to determine the standards and norms to make mutual interactions and behaviour between individual and group in organisation.
7. Business ethics offers to establish the norms and directional approaches for making an appropriate code of conducts in business.
8. Business ethics shows the better and perspective ways and means for most excellences in customisation.
9. Business ethics aims to emphasise more on social responsibility of business towards society.
10. Business ethics basically inspire the values, standards and norms of professionalism in business for the well-being of customers.
11. Business ethics is to motivate and is consistently related with the concept of service motives for the customers' view point.
12. Business ethics are based on the concepts, thoughts and standards as contributed as well as generated by Indian ethos.
13. Business ethics may be an 'Art' as well as 'Science' also.

Functions of Business Ethics

1. Develop and distribute code of conduct for the business.
2. Conduct ethical standard for training programme of the employee.
3. Maintain confidential service to answer employee's questions about ethical issues of the business.
4. Assessing the needs and risks of the business ethics that an ethical programme must address.
5. To take action on possible violation of company's code of conduct of business.
6. To review and update code of conduct of business in time.
7. To ensure that organisation is in compliance with governmental regulations and of conduct of business.
8. To monitor and audit ethical conduct of conduct of the business.

Principles of Business Ethics

1. **Principle of Purity:** It is most needful that every businessman should follow the politeness, truthfulness and tolerance for developing the feelings of mental peace. At the same time, the mental peace and purity also becomes the ways for politeness and tolerances etc.
2. **Principle of Humanity:** It is needful that every businessman should follow the human values, human decorum and human aspects within their policies, programmes and different working areas. The ethical behaviour may determine the path of humanity.
3. **Principle of Conscience:** This principle is based on inner-feeling of persons to analyse the sense of right and wrong. On this basis the businessmen can determine different roles and behaviour at their levels.
4. **Principle of Wish less Work:** This principle emphasise that there is no need to perform the entire task to be self-centered or self-interest. Accordingly, we should perform all the role and behaviour to another person's for their esteemed interest. We should be devoted to our efforts to do the work for others.
5. **Principle of Esprit:** According to this principle businessmen should give due attention to make best possible services and try to develop the feelings of devotion

and truthfulness in services. All the behaviour and activities should be based on values and service motive in business.

6. **Principle of Rationality:** On the basis of the ethical code of conduct, every businessman should analyse and evaluate the good or bad, right or wrong, ethical or unethical aspects within their business transaction and day to day working of the business houses. They must follow the rational attitudes and behaviour.
7. **Principle of Communicability:** According to this principle, there is a need to make effective means of communication with the internal and external persons as engaged with business houses. The communication should be in cleared, open and justified manners.
8. **Principle of non-Cooperation in Evils:** It is needful that businessmen should try to make non-cooperation or discourage the evils, misconduct and unethical behaviour not only with different customers but with society also.
9. **Principle of Cooperation with Other:** Ethical norms motivate the feeling of collaboration and team spirit. It is required that on the basis of capacity and available resource, the businessmen should make full cooperation to different other persons as per their good conduct and value based behaviour.
10. **Principle of Satisfaction:** Every businessman is required to create and develop their role and behaviour to establish pleasure and happiness with other persons and the society at large. Fore mostly, in business as per their products and services, the customers should be satisfied at every stage.
11. **Principle of Coordinate Ends and Means:** The businessmen should try to make a coordinating or balancing form between their ends and means within their work performance and its allied activities. They should develop their ventures within the limitations of resources and capacities.
12. **Principle of Due Process:** All the persons and different employees, as engaged in business are required to involve in decision making process and different important task. Businessmen should follow a reasonable and justified working process in their organisation.
13. **Principle of Liking in Expectations:** In order to establish the ethical norms and conducts in business, it is required to follow all these good and acceptable behaviour

- by businessmen. They must give and perform some excellence examples as per the expectations of others.
14. **Principle of Transparency:** Ethics denotes the concept of purity and truth. All the business activities and transactions should be well informed with justified manners with their different stakeholders and society.
 15. **Principle of Publicity:** According to this principle, all the activities and performance as conducting in business houses should be well informed to every person or organisation that are directly or indirectly attached with business. It aims to remove the doubtfulness and misunderstanding among people.
 16. **Principle of Universal Values:** It is required that every businessmen should conduct and perform the task and different business activities to be based on universal assumptions, customs and overall accepted norms and principles by society.
 17. **Principle of Commitment:** According to this principle, every businessman should be able to fulfill their commitments and assurances as given to other persons. The implementation of commitments should be based on honesty and responsiveness.

Importance of Business Ethics:

1. **Corresponds to Basic Human Needs:** The basic need of every human being is that they want to be a part of the organisation which they can respect and be proud of, because they perceive it to be ethical. Everybody likes to be associated with an organisation which the society respects as a honest and socially responsible organisation. The HR managers have to fulfill this basic need of the employees as well as their own basic need that they want to direct an ethical organisation. The basic needs of the employees as well as the managers compel the organizations to be ethically oriented.
2. **Credibility in the Public:** Ethical values of an organisation create credibility in the public eye. People will like to buy the product of a company if they believe that the company is honest and is offering value for money. The public issues of such companies are bound to be a success. Because of this reason only the cola companies

are spending huge sums of money on the advertisements now-a-days to convince the public that their products are safe and free from pesticides of any kind.

- 3. Credibility with the Employees:** When employees are convinced of the ethical values of the organisation they are working for, they hold the organisation in high esteem. It creates common goals, values and language. The HR manager will have credibility with the employees just because the organisation has creditability in the eyes of the public. Perceived social uprightness and moral values can win the employees more than any other incentive plans.
- 4. Better Decision Making:** Respect for ethics will force a management to take various economic, social and ethical aspects into consideration while taking the decisions. Decision making will be better if the decisions are in the interest of the public, employees and company's own long term good.
- 5. Profitability:** Being ethical does not mean not making any profits. Every organisation has a responsibility towards itself also i.e., to earn profits. Ethical companies are bound to be successful and more profitable in the long run though in the short run they can lose money.
- 6. Protection of Society:** Ethics can protect the society in a better way than even the legal system of the country. Where law fails, ethics always succeed. The government cannot regulate all the activities that are harmful to the society. A HR manager, who is ethically sound, can reach out to agitated employees, more effectively than the police.