SECTION-II

BUSINESS ETHICS
AN INTRODUCTION TO ETHICS
Ethics is not a recent discovery. Over the centuries philosophers in their struggle with human behavior have developed different approaches to ethics, each leading to different conclusion.

The word “Ethics” which is coined from the Latin word ‘Ethics’ and Greek word ‘ethikos’ pertains to character. Ethics is thus said to be the science of conduct. As a matter of fact it deals with certain standard of human conduct and morals.

The field of ethics involves systematizing, defending and recommending concepts of right and wrong behavior. Ethics is a mass of moral principles or set of values about what is right or wrong, true or false, fair or unfair, proper or improper, what is right is ethical and what is wrong is unethical.

MEANING AND DEFINITION OF ETHICS
Peter F. Drucker writes- “There is only one ethics, one set of rules of morality, one code that of individual behavior in which the same rules apply to everyone alike.”

Philip Wheel Wright says- “Ethics is the branch of philosophy which is the systematic study of selective choice, of the standards of right and wrong and by which it may ultimately be directed.”

Swami Vivekananda has set the tone for ethics. He says- “Supreme oneness is the rationale of all ethics and morality. Ethics cannot be derived from the mere sanction to any personage. Some eternal principle of truth has the sanction of ethics. Where is the eternal sanction to be found except in the only infinite reality that exists in you and us and in all, in the self, in the soul.”

Discussion on ethics cannot be completed without Swami’s views on ethics. He suggested ethics as the degree of faith in oneself.
Ethics comes from the attainment of freedom, renunciation, which comes only when the individual attain a superior strength.

According to Swamiji- “The difference between weakness and strength is of a degree; the difference between virtue and vice is that of a degree; the difference between heaven and hell is that of a degree, all differences in this world are of degrees and not of kind of characteristics.”

An individual is an infinite circle whose center is every where and circumference no where ethics disappears in the situations where people recon to the thinking, I am pure, others are impure.

Therefore, in short we can say that ethics goes beyond the immediate facts that pertain to a moral question- what the situation is, it addresses the question of what ought to be?

The inner content of individual, the character of individual can lead ethical individuality to ethical collectivity. The ethical, the right thing to do, is action that best serves the ideas of honesty, integrity, morality and good management practices.

**NATURE AND OBJECTIVE OF ETHICS**

The liberalization and globalization being sweep changes in the concept of doing business, but the major by-product like corruption, favoritism and nepotism, deterioration of human values, series of scam in business, government policies and society are also produced in the 21st century.

There is a loss of faith in instruments of society. Business houses are becoming big with control of large resources, human, financial and technical but their surviving purposes to society are always having the doubtful values. Day by day innocent Indians are losing their faith in laws, courts and government.

At one side business enterprise are coping up with intense emerged competition and on the other side they are violating the principles of proper public conduct.

In the wake of mounting scandals, corporations, all around the world are adopting ethical conduct, code of ethics. They are excellent organizations, which have shown a spurt of activity towards evaluation of goals, concepts, values related to management and conduct.

Ethical issues are more critical today than they have been ever been. Similarly the increased interest with ethics in India is also related to many issues as nexus between business, crime, politics, a series of scams, sordid events of the past few years in the public affairs of the country which have led many in the country to believe that the country is approaching destruction unless it reforms ethics.

In terms of practically applied the terms ethics and values became an important concern in the U.S. in the eighties.

But fortunately the application of ethics in theory and practice in new millennium is gaining momentum rapidly. As the All India Council For Technical Education which regulates
the management education in India has in December 1995, recommended the inclusion of business ethics as a course in management studies curriculum.

**Objective of Ethics**

The objectives of ethics are as below:

1. The very basic objective is to define the greatest good of man and establish a standard for the same.
2. Set/Establish moral standards/norms of behavior.
3. An overall study of human behavior: what is moral or immoral should be assessed.
4. Apply judgement upon human behavior based on these standard and norms.
5. Suggest moral behavior, prescribes recommendations about Do’s & Don’ts.
6. One’s opinion or attitude about human conduct is expressed in general.

**Nature of Ethics**

The nature of ethics can be explained by these points:

1. The concept of ethics is applied to human beings only as they have freedom of choice and means of free will. They can only decide the degree of ends they wish to pursue and the means to achieve the ends.
2. The study of ethics is nothing but a field of social science in which a set of systematic knowledge about moral behavior and human conduct is learned.
3. Ethics deals with human conduct, which is voluntary not forced by circumstances or humans. So we can say that at the ground level ethics deals with moral judgement regarding set directed human conduct.
4. The science of ethics is a normative science. It is a search for an ideal litmus test of proper behavior. Normative science involves arriving at moral standards that regulate right and wrong conduct.

**Ethics and Related Terms**

To understand ethics thoroughly, we need to see its relevance with some quite similar terms:

(A) **Ethics and Morality:** A morality is a set of rules to guide the actions of an individual human being. Rand says about it – “a code of value to guide man’s choice and actions.” So ethics and morality would seem to be synonymous but exactly it is not so.

As morality refers to the rules and guidelines that an individual or a group has about what is right/wrong, good or evil same as ethical principles also give an idea about right or wrong, true or false.

Really speaking, to differentiate between ethics and morality is a difficult task as human behavior is influenced by emotions and sentiments. As many big organizations and big
businessmen have no predetermined ethics but they may evaluate the good conduct of business on the basis of customs, expectations of society, and some beliefs. But in a way ethics is not merely the code of conduct based on customs, conventions and the accepted courtesies of a society but it is the code of conduct developed by proper testing to guide the human behavior. In short, ethics and morality, for all-purpose may be assumed to mean the same.

**B) Ethics & Religion:** Though ethics is not synonymous to religion morality is a primary force in shaping our ethics.

Thomas M. Garrett writes- “The religion derive their moral percepts not only from human experience but from divine revelation. It must rely on the unaided human reason.”

Ethics gets idea from religion and through experiments it approves them as “code of conduct.” The development of ethics is dependent on the religious morality.

The great historian Arnold J. Toynbee writes— “No society could succeed without any religious aim. Mere desire for prosperity cannot motivate a person for building up an enduring dynamic and progressive nation.”

Needless to say, about the vital role of ethics in our economic life which could be activated on the basis of religious principle.

**C) Ethics and Law:** Hosmer (1995) says – Respect for law as an ethical value- What is law? Law is a code of conduct, which the authority in power prescribes for society. It is concerned with the minimum regulation necessary for public order that is enacted by government. So government gives shape to only those minimum social obligations, customs or traditions, which are essential to be complied with by the people.

It basically differs from ethics in its option to use it and in fact it is backed by power.

The most important divergence between ethics and law is that ethics concentrate on the do’s and laws on the don’ts. Ethics is a much wider term than law.

The law may not cover the required ethical behavior at all. ‘Look after the aged’, ‘be considerate to your workers’, ‘Teach well to your students’, ‘Do not tell a lie’, Obey your elders’, - will fall within the circle of ethics but not within that of law.

**D) Ethics & Values:** Moral values are deep-seated ideas and feelings that manifest themselves as behavior or conduct. These values are not so easy to measure or express in words.

There is a very thin line, which distinguishes between ethics and values, both drive what is right and what is wrong in human conduct and what ‘ought to be’. A relationship can be derived between value and ethics like this—

\[
\text{Value + Knowledge = Ethics}
\]

So as, we know the consequences of our actions, we can convert values into rules of behavior that can be derived as ethics.
INTRODUCTION TO BUSINESS ETHICS

In any organization from top executive to bottom line employees, ethics is considered as everybody business. It is not just only achieving high level of economic performance but also to conduct one of business’s most important social challenges, ethically at the same time. Here what we get a combination of two familiar words—‘Ethics & Business’ in ‘Business Ethics’. Different meaning is given to business as follows:

- Business ethics are the application of general ethical rules to business behavior
- Business ethics are rules of business by which propriety of business activity may be judged.

By Cater Mcnamara—“Business ethics is generally coming to know what is right or wrong in the workplace and doing what is right- this is in regard to effects of products/services and in relationship with stake holders.”

“Attention to ethics in workplace sensitizes managers and staff to now they should act so that they retain a strong moral compass. Consequently, business ethics can be strong preventive medicine.”

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

- Business ethics are the rules of business by which the propriety of business activity may be judged.
- Business ethics concentrate on moral standard as they apply to business policies, institutions and behavior. It is a specialized study of moral right or wrong. It is a form of applied ethics.
- Business ethics are nothing but the application of ethics in business. It proves that business can be and have been ethical and still make profits. Today more and more interest is being given to the application of ethical practices in business dealings and the ethical implications of business.

The 3 C’s of Business ethics:

1. Compliance (The need for compliance of rules including)
   - Laws
   - Principles of morality
   - Policy of the company

2. The Contribution (business can make to the society)
   - The core values
   - Quality of products/services
   - Employment
Need and Objective of Business Ethics

Need of Business Ethics

1. Business operates within the society.
2. Every business irrespective of its size exists more on ethical means or in total regards to all its social concern to survive long.
3. Business needs to function as responsible corporate citizen in the country.

Objectives of Business Ethics

According to Peter Pratley – Business ethics has a two fold objectives – it 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.

A) Analysis and Evaluation:

Ethical analysis and ethical diagnosis of past events, happenings, clarifying the standards, uncover the moral values, habits of thought.

How to evaluate the situation? Ethics provides rational methods for answering the present situation and related future issues. Well-equipped information is a must to achieve this second objective, a careful assessment of relevant information will lead to balanced judgments.

B) Approaches to resolve ethical dilemmas:

It provides therapeutic advice when facing the present dilemmas and future dangers. Only the condition, which requires a true identification of relevant stakeholder and a clear-cut understanding of crucial issues at stake.

Significance of Business Ethics

“Good business ethics promotes good business.”

This statement is supported by the research findings of some well-known authorities – Raymond Baumhart, Brener & Molander, and Strom & Ruch. It was clear from their findings that only those businesses can develop on a long-term base that conducts activities on ethical grounds.

- Usefulness of activities to surrounding activities
- QWL

3. The Consequences of business activity

- Toward environment inside and outside the organization
- Social responsibility toward shareholders, bankers, customers and employees of organization
- Good public image, sound activity - good image.
Once Robert Day has said that good ethics not only promotes professionalism in management but it purifies the inner mind of every businessman.

Another writer Thomas Donaldson (Ethics in business- a new look) has observed that- “there are some key reasons why business ethics is not a fad and why ethics plays a key role in business.”

1) **Positive consequences:**
   Business depends on the approval of the society, acceptance of rules, mutual trusts and confidence. Prof. Robert day writes-“when ethical conduct is displayed, it puts some kind of trust and confidence in relationship.” So business with ethics always leads to positive consequences.

2) **Goodwill of the business and businessman:**
   Good ethical behavior will increase the goodwill of both business as well as the businessman. Strong public image is a symptom of success in the long run. On the other hand once an organization’s image is tarnished it would have direct consequences on sales, profits, morale or day-to-day running of the business.

3) **Protection—both sides:**
   If ethical implications are there in organization businessmen act more sincerely and the level of commitment would be higher. Ethics protects people in dealing with each other. Prof Robert day writes, “Good ethics is sound business insurance.”

4) **Self satisfaction:**
   In the dynamic world, businessmen are seeking self-satisfaction, mental relief, free from anxiety, release tension. To attain the inner satisfaction certain people consider only good ethics can promote good business.
   As a businessman is first a member of the society than a businessman, so some do not implement a decision, which stands on unethical ground because it wouldn’t provide the satisfaction to their sub-conscious mind.

5) **Encourage others:**
   When a few people start following ethics side by side to profit making, they encourage, motivate others and set examples for them. As Prof. Learned & Associates writes- “Businessman who follows the ethical principles in the conduct of business, motivates others also to follow the same principles.”

6) **Success and development:**
   Ethical conduct of business leads to development and series of success. Learned writes- “A sincere person who does hard work becomes ethical and always succeed in his efforts but an unethical person cannot.”

7) **New management:**
   In the era of global economy, new principles are required in new management. Prof. Day writes that management cannot become a profession so far as it does
not follow good ethics. An important feature of a profession is that it has a laid down code of conduct, which remains on all the principles of “service to humanity.”

So to run the good business in modern scenario you have to develop and follow ethics.

THE CONCEPT OF NEW ETHICS

Introduction
The new economy has brought greater transparency and greater flexibility but also greater complexity and therefore new and greater risks. It has become very crucial to look at how the new economy had brought greater complexity to the business environment changing the ethical dimension and raising new ethical issues.

It goes on to outline the varied dimension of the new economy like- Globalization, technology, assets, framework, recruiting and retaining the talent.

These factors have brought so many changes and challenges to the company policies regards to their management practices, relationships in different domestic, international, multinational and global contents. So to establish an ethical infrastructure and integrate ethics in organization working we need to study the ethics in new economy keeping the consideration of these mentioned dimensions.

ETHICAL DIMENSIONS

Globalization
The growing integration of economies and societies around the world has been one of the most hotly debated topics in international economies over the past few years. Many forces are driving globalization- Communication, improved infrastructure, technology, regulation, free trade and free movement of people. Rapid growth and poverty reduction in India, China and other countries that were poor 20 years ago, has been positive aspect of globalization. On the other hand globalization has also generated significant international opposition over concerns that it has increased inequality and environmental degradation.

Ethics, morality and globalization are connected with each other and the ethical dimension of globalization is beginning to be debated world widely.

The renowned utilitarian philosopher Peter Singer puts the questions attached to globalization in this way- “To what extent should leaders see their role narrowly, in terms of promoting the interests of their citizens everywhere?”

D. Wheeler and M. Sillanpaa, in the stakeholder corporation a blue print for maximizing shareholders value, calculate that 200 corporations in the world have sales equivalent to one-third of the world’s total economic activity.

So at a business level, we talk of globalization when companies decide to take part in the emerging global economy and establish themselves in foreign markets.
To meet the objectives first they adapt their products and services to the final user’s linguistic and cultural requirement, which is not at all an easy task, a manager has to manage the workforce in different languages, different cultures, and different tax procedures.

The basic need in the globalization era is to control the ethical conflicts to its minimum level though its not so easy to achieve. Though some ways can be suggested like—

• Sensitive and sympathetic attitudes towards local customs.
• Awareness about world pressure group.
• Know and comply with local laws related to tax, employment and finance.
• Manage diversity within and across the national boundaries.

**Technology**

Technology is a driving force helping business organization to face the challenges of today’s competitive business environment. It is revolutionizing the nature and speed of communication within and between companies.

All the functional areas of organization- Marketing, finance, HR, production etc. are being facilitated by it.

The global development of companies is very much affected by technology. Technology has been catalyst for this development.

Though there are some social and ethical issues related to technology

a) Complexity and integrity
b) Software piracy
c) Monitoring
d) Harassment
e) Employment
f) Privacy
g) Accessibility

These are some yardsticks, following which the managers can tackle some ethical risks attached to technology

• Take care of the flow of information about data in and out of the organization.
• The monitoring of the use of e-mail and uses of internet in an effective way.
• Participative management development to discuss the practicalities and get the feedback.

**Intangible Assets**

“Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted.” [Albert Einstein (1879-1955), American theoretical physicist].
The most valuable assets as far as an organization context in the new economy are called as intangible assets. Intangible assets are non-scarce; these increase in values when used as they are not subject to diminishing returns as the tangible assets, but have increasing returns.

As all intangibles (customer, employee, leadership, culture, strategy, brand, innovation, knowledge, intellectual property rights) are future oriented so they create future value.

The ethical points of discussions related to intangible assets are a lot like

(a) Intangibles are difficult to manage and exclusively control
(b) Intangibles investments are typically more risky
(c) Intangibles cannot be directly measured

The War for Talent

In 1997, a Land Mark Mckinsey & Company study exposed the “War for talent” as a strategic business challenge and a critical driver of corporate performance. In the new book “the war for talent” the authors of the original study reveal that hot economic times and cool talent management is critical to every company’s success.

As talented, skilled, knowledgeable people with innovative ideas are among the most valuable assets (intangible of the 21st century so they are becoming more valuable than ever). Recruitment, selection as well as retaining talented people is a big challenge before the organization.

By providing attractive financial incentives companies are behind to recruit and retain talent, but these are not so sufficient, for this the 95 theses of the Cluetrain manifesto provide some creative insight into what are the leading forces, which motivate employees to be in an organization. “Notably, they want their companies to learn to speak to them in a new way, honestly and humanely. If the companies do not learn to do this (thesis 89) employee will vote with their feet.”

Companies who do a better job of addressing the needs of the Genx’ers will find themselves in a best position.

The Cluetrain manifesto explained the category of generation “X” after Douglas Coupland’s book of that title. They are highly talented, skilled with a valuable ethical value system, set of attitudes, self confident, immediate authority.

Their relationship with their employer must be mutual friendly and win-win type.

These people will remain in the type of organization where they find a true alignment between their own value system and organization’s value and beliefs.

However, companies who do not have recruitment and retaining strategy will soon find themselves spending much more money to attract the best talent.

Studies show that the companies that are most responsive to employees need have lower turnover in staff.
Fortune magazine publishes a list of the 100 best companies to work for in the U.S., based on the research conducted by Hewitt, a human-resources consultancy. Where skills shortages are most acute, companies are most responsive to their people’s need. 42% of the top 100 are IT or financial services firm.

So in short we say that in the war for talent if you really want to retain and hold talent in your organization, it is essential to follow some practical steps:

- Discover the needs, wants of talented people behind joining a firm or being there.
- Calculate the total package, which must include the total tangibles elements and just compare it against the competitors.
- Assess the gaps, which come out from the expectations of employees and the realities.
- Find out the reasons, why people leave the organization and try to avoid the same reasons for the future, learn from them.
- Try to generate a healthy balance between employee’s work and their other portion of life.

Simply telling people or merely teaching managers about ethics will not encourage ethical conduct in the organization, some extra efforts are needed. In fact the basic and foremost important is to develop commitment to ethics.

- Commitment to ethics is the most valuable asset the firms can possess. Which is very difficult to acquire and maintain.
- It might be possible that it is somewhere in the company but not at all levels or not anywhere to be effective.
- In these situations unethical practices in business arise, which show the failure of the business firms to pay attention to ethical risks that are created by their own systems, policies and practices.

Walton writes— that business ethics is related with truth and justice and has various components like expectations of society, healthy competition, consumer freedom and good behavior. All people expect that each and every conduct and activity should have a strong foundation of ethics but in practice, it finds that a strong foundation of ethics but in practice, it finds that business is involved in unethical practices.

### Factors Causing Unethical Behavior

1. Competition—‘Litemer & Molander’ have found in their studies in 1974 that the important cause of decreasing use of ethical conduct in business is the increasing nature of competition. When managers try to meet goals and have to cut corners at that moment this acute competition at national as well as international level becomes an unavoidable reason for unethical conduct.
2. There is an increasing pressure to earn more profit and to cope with the enlarged requirements and expectations of all like shareholders, customers, employees or all the categories of its stakeholders. So this becomes an important factor of unethical conduct of business.

3. Ambiguous situations create the ethical dilemma to the manager and selection of an alternative that gives them higher return at the cost of losing integrity they don’t think.

4. Political corruption has also become a big issue now days, as business cannot be aloof from politics and most of the political parties demand gifts, donations and bribes from the businessmen for their political gain.

5. Social values and customs are not followed by new generation.

6. Now-a-days people want to become rich in a short while even by doing unethical acts. Money and success becomes the important motivator behind any activity.

7. People neglect the social responsibility, lack of integrity and discipline in the social values.

Many of the business activities, which involve unethical activities, are objectionable, exploitative and create big problems to innocent people. A sample of these unethical conducts is shown below:

- Encourage practices of corruption
- False representation of returns and income statements
- Ignore the social interest
- Creation of acute competition
- Political donations
- Exploit the consumer
- Exploit scare natural resources.

The points mentioned above are some real practical situations which are embedded in business organization and are sometimes unavoidable and therefore corporate commitment to ethics is vital, it is a most valuable asset a firm can possess, which pays in long run. Cited below are the few practical examples of the corporate world, where the commitment level of ethics is very high.

a) Johnson & Johnson- an ethical commitment to health and safety of consumers is deep-rooted in J&J. Many persons died after consuming Tylenol capsules contaminated with poison. As it deals with sensitive area and protection to public is a must so the managers took over all capsules from all the places worldwide. This crisis incident worked as a catalyst that boosted J&J’s image in eye of customer worldwide.
b) JBM provides ethical treatment of employees so they get the loyalty from employees, thefts, cheating and frauds are nowhere seen over there.

“Ethical behavior isn’t an act but a habit, just as good health requires cultivating the habits of getting enough sleep and eating wholesome food, Aristotle believed that right action was the result of developing good moral habits. In a business context, this means training and at the deepest level, something we call, corporate culture.”

—Jim Kelly, Chairman and CEO of United Parcel Post Service.

**IMPORTANT FACTORS OF BUILDING AN ETHICAL INFRASTRUCTURE**

Some important factors of building an ethical infrastructure in the organization are as follows—

**Commitment from Top Management**

As the top executives are the leaders, so if they take an ethical initiation, it would be easy to spread it downside.

Ethical behavior should be fully supported by the top management. They must set some examples in front of the employees from their own level if committed to ethics.

Ethics committee- some boards have established a separate ethics committee which oversee development and operation of ethics program.

Some companies do have full time ethics officer, like USAA, a diversified financial service company. The chief executive officer, Robert T. Herres, is the chief ethics officer and he appoints an ethics coordinator to oversee the program.

This committee may consist of internal and external directors. According to Koontz and Weihrich this committee will perform the following functions:

1. Holding regular meetings to discuss ethical issues.
2. Dealing with grey areas.
3. Communicating the codes to all members of the organization.
4. Checking of the possible violations of the code.
5. Enforcing the codes.
6. Rewarding compliance and punishing violation.
7. Reporting activities of the committee to the Board of Directors.

**Code of Ethics**

To establish and to encourage ethical conduct formal codes of ethics for organization members must be framed. These corporate codes of ethics vary in quality and substance. Some of these consist of a set of specific rules, a list of do’s & don’ts.

A code of ethics states an organization’s basic and primary values and the ethical rules, so the rules of conduct are like a general value statement, which lacks a framework of meaning and purpose.
Code of conduct are not merely rules and regulations, their scope is somewhat different! A code cannot list and mandate every form of ethical and unethical conduct. A good corporate code of values and conduct should include certain managerial and employee guidelines for making ethical decisions.

Frank Doly of Northrop Grummman has suggested—Codes of conduct should be policies that are easy to read, who don’t like to read can’t read, easily understood by people or respond much better to visual information. Take creative license in the presentation.

Some organization have reduced voluminous codes of conduct to just a few core values, for example Texan instruments a global semiconductor company, ended up their codes of conduct with just 3 words- Integrity, Innovation and Commitment.

A list of code of ethics is given below:
- Do not use abusive language
- Manage personal finance well
- Demonstrate courtesy, respect, honesty, and fairness
- Exhibit good attendance
- Conduct business in compliance with law
- Follow all accounting rules and control
- True claims in product advertisements.

**Communicating Ethics**

The best ethics program in the world is the one that is communicated well. The communication should be in various forms and frequently occur. Communicating all code of ethics, core values can be done by an easy way- written form supplemented with some questions in the form of feedback. The supervisors can hold meeting with employees to discuss ethical concerns.

A proper well-designed communication network is needed to institutionalizing ethics. Therefore, Purcell & James Weber suggest that this can be accomplished in 3 ways—
- By establishing appropriate company policy and ethical rules
- By using a formally appointed ethics committee
- By teaching ethics in management development program.

**Ethics Training**

There is a great need for ethics training because only communicating well is not sufficient to convert values into practice, sometimes employee may think that they know each and every aspect about ethics, ethical decision making but they might be unaware of the ideas of the actual evaluation process, implementation and consequences of the decision making. Therefore ethical training program are very crucial.
Effective ethics training should have:

- Employee participation to exchange views with each other and open discussion of realistic ethical issues.
- Clarify the ethical values and enhance the ethical awareness of employees.
- Define criteria for ethical decision making within the organization.
- Being detailed, extensive to accomplish anything significant.
- A clear intense focus on ethical issue of the organization.
- Investigate ethical environment, analysis the activities, strategies, resources, policies and goals and after examining go on enriching them.

**Ethics Officer**

An ethics specialist is a full-fledged member of the board of director. He has a “kitchen cabinet” to serve as a sounding board and to drive ownership of the program throughout all areas of business. He acts as a guide for ethical conduct and ethical decision making. The ethics officer provides some resources for assistance to the employees of the organization, so that if they find any wrong doings while working, they can report directly to him.

For e.g. at USAA, the ethics coordinator is part of the CEO’s office and works closely with the company’s ethical council, a group of senior executive who review issues of major significance and take appropriate actions.

**Response and Enforcement**

Implementing an ethical program consistently is one of the biggest challenges for organizations. A consistent response to ethical issues involves so many criteria like- reward system (for those who have shown ethical character), built in incentives, this can be further supported by checklist method.

According to Bennett, employee can be taught to apply the following checklist when confronted with an ethical dilemma—

1) Identifying the dilemma
2) Collect the facts
3) Make a list of your options
4) Test each options
5) Make your decision

A consistent enforcement by carefully coordinating with human resources personnel or by establishing an ethics coordinating committee that can review or hear appeals on disciplinary actions.

**Audits, Revisions and Refinements**

Audits should establish to reveal whether communication about ethical codes of conduct works well or not. What are the results of training program? It is a detailed investigation
about potential violations of law or regulation. The experts in audit committee would be executives of the organization or can be hired from outside consultants. Many companies are finding effective ways to judge about the effectiveness of their program like surveys, focus groups and detailed exit interviews often conducted by outside consultants for unbiased feedback. A review for value program must be allowed. In this dynamic world, every month, every year circumstances change which demand managers to reevaluate the goals and content of their program, sometimes after the evaluation, managers begin with a fresh look as well as a courageous hand to stop the continuation of an idea whose time has passed.

**ETHICS AND CONFLICT OF INTEREST**

A conflict of interest can be defined as ‘a situation in which a person, such as a public official, an employee, or a professional, has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties’.

—Michael McDonald.

It exist when individuals must choose whether to advance their own interest, the interest of their organisations or the interest of some other group or individual.

Very often, situations arise in which there is conflict between one or more of the parties, such that serving the interest of one party is a detriment to the other(s). For example, a particular outcome might be good for the employee, whereas, it would be bad for the company, society, or vice versa... Ethical issues can arise when companies must comply with multiple and sometimes conflicting legal or cultural standards, as in the case of multinational companies that operate in countries with varying practices. The question arises, for example, ought a company to obey the laws of its home country, or should it follow the less stringent laws of the developing country in which it does business? To illustrate, United States law forbids companies from paying bribes either domestically or overseas; however, in other parts of the world, bribery is a customary, accepted way of doing business. Similar problems can occur with regard to child labor, employee safety, work hours, wages, discrimination, and environmental protection laws.

Broadly conflict of interest can be classified as-

- Actual conflict of interest
- Apparent conflict of interest
- Potential conflict of interest

An actual conflict of interest is one in which a genuine reason exists, which could be a financial interest, or another sort of interest. An apparent conflict of interest is one which a reasonable person would think that the professional’s judgment is likely to be compromised. A potential conflict of interest involves a situation that may develop into an actual conflict of interest.

Canadian Political Scientists Ken Kernaghan and Joha Lanoford in their book The Responsible Public Servant list 7 categories—
[1] **Self-dealing:** For example, you work for government and use your official position to secure a contract for a private consulting company you own. Another instance is using your government position to get a summer job for your daughter.

[2] **Accepting benefits:** Bribery is one example; substantial [non token] gifts are another. For example, you are the purchasing agent for your department and you accept a case of liquor from a major supplier.

[3] **Influence peddling:** Here, the professional solicits benefits in exchange for using her influence to unfairly advance the interests of a particular party.

[4] **Using your employer’s property for private advantage:** This could be as blatant as stealing office supplies for home use. Or it might be a bit more subtle, say, using software which is licensed to your employer for private consulting work of your own. In the first case, the employer’s permission eliminates the conflict; while in the second, it doesn’t.

[5] **Using confidential information:** While working for a private client, you learn that the client is planning to buy land in your region. You quickly rush out and buy the land in your wife’s name.

[6] **Outside employment or moonlighting:** An example would be setting up a business on the side that is in direct competition with your employer. Another case would be taking on so many outside clients that you don’t have the time and energy to devote to your regular employer. In combination with an influence peddling, it might be that a professional employed in the public service sells private consulting services to an individual with the assurance that they will secure benefits from government: “If you use my company, I am sure that you will pass the environmental review.”

[7] **Post-employment:** Here a dicey situation can be one in which a person who resigns from public or private employment and goes into business in the same area. For example, a former public servant sets up a practice lobbying the former department in which she was employed.

Conflicting interests are best resolved by formulating a “fair agreement” between the parties, using a combination of i) macro-principles that all rational people would agree upon as universal principles, and, ii) micro-principles formulated by actual agreements among the interested parties. Critics say the proponents of contract theories miss a central point, namely, that a business is someone’s property and not a mini-state or a means of distributing social justice.

How do you determine if you are in a conflict of interest, whether actual, apparent, or potential? The key is to determine whether the situation you are in is likely to interfere or appear to interfere with the independent judgment you are supposed to show as a professional in performing your official duties. In fact, the ‘trust test’ suggests one very
good way of dealing with a conflict of interest: reveal your private interest in the matter to relevant parties. Conflicts of interest involve the abuse, actual or potential, of the trust people have in professionals. This is why conflicts of interest not only injure particular clients and employers, but they also damage the whole profession by reducing the trust people generally have in professionals.

But sometimes it isn’t enough to know that there is a particular private interest influencing a professional’s judgment; the client, employer, etc. expects that the professional will stay out of such situations. So the second way to avoid conflicts of interests is to absent yourself from decision making or advice giving if you have a private interest.

It may take some skill and good judgment to recognizing that you are in a conflict of interest situation. This is because private and personal interests can cloud a person’s objectivity. So it may be a lot easier to recognize when others are in a conflict, than when you are. This suggests that it may be useful to talk to a trusted colleague or friend when you are in doubt.

But once you recognize that you are in or are headed into a conflict of interest situation, the ethical responses are straightforward: get out of the situation, or, if you can’t, make known to all affected parties your private interest. These responses will preserve the trust essential to professional objectivity. Organizations must avoid conflict of interest by realizing that avoiding conflicts of interest is only one part of being a conscientious professional. Another part is the difficult task of making choices when the ethics of the situation aren’t clear or when there are good moral reasons for acting in diametrically opposing ways.

Summary

This chapter defines ethics as some standardized form of conduct or a mass of moral principles about what conduct ought to be.

To understand ethics it is necessary to study the relation of ethics with some similar terms like ethics and morality, ethics and law, ethics and value and ethics and religion.

Ethics in business and management is gaining momentum day by day. Business ethics are the application of general ethical rules to business behavior. The significance of business ethics in 21st century scenario is remarkable; this chapter throws light on some practical ethical principles that can be directly followed by companies. The new economy has brought greater complexity to the business environment, changing the ethical dimension and raising new ethical issue some driving factors like technological changes, intangible assets, effects of globalization, the war for talent are the important ones. Recognizing unethical conduct and remove it from the root has become an important need. Although ethical management is being given a higher priority by management team, a wealth of evidence reveals that managers are still unclear about how to go on strategic thinking and cultural building that encourage ethical conduct in the organization. At the end of the chapter ethics and conflict of interest has been discussed.
QUESTIONs

Q.1 Elaborate the term ethics.
Q.2 Explain in detail the meaning, nature and objective of ethics.
Q.3 What is business ethics? What are the needs for business ethics?
Q.4 “Good business ethics promotes good business.” Explain the significance of business ethics in 21st century scenario.
Q.5 Discuss about varied dimensions of new economy.
Q.6 Explain in detail the factors causing un-ethical behavior in organizations.
Q.7 Write an essay about building ethical infrastructure in an organization.
Q.8 What is a conflict of interest and what you can do to avoid being in one?

Case Study 1

Raman Verma was an MBA; He had specialized in Marketing and Advertising. He has just joined XYZ Ad Agency, though a competent and innovative person with outstanding performance during his stay at the MBA institute, yet he got this job with great difficulty due to recession in the job market. He had somehow managed to find this job through a contact of his uncle. The chairman of the company wanted him to somehow persuade a well-known newspaper to avoid reporting on a controversial corruption charge against him and instead writes a favorable editorial. Raman was not convinced that his chairman was clean in the case; on the other hand the newspaper was willing to accommodate the chairman, if the organization came out with a large size advertisement in his favor.

Recently, Raman’s father died leaving his wife and three sisters on the verge of marriage with Raman alone in a disastrous condition to help himself and his family.

What should Raman do?

Case Study 2

Pranav was a young and dynamic manager at ABC Private Ltd. and was recently married.

Due to nature of his job, he had to do lot of traveling and therefore unable to devote his time for his wife. At one time he was away for 25 days tour only to return for a day and again go for 10-days tour. This situation led to differences in his marriage life, turning to serious note. Once he took his wife along with him to tour and found that he and his wife could stay in a hotel within permissible limits of his lodging and boarding allowance with no extra burden on his company. Thus he was away for work for a good part of the day but could spend time with his wife in the evening. This situation worked out perfectly for himself and his wife and their relations became very good. Therefore he started taking his wife along with him on his tours.

Is it ethical on part of Pranav?
Case Study 3
Ms Surekha Mittal is a Vice-President and head of strategic planning division of Indian based multinational firm. She long believed in slogan “When in Rome do as Roman do”, but in recent years she has been forced to rethink that position. In 1990 when the company considered opening a manufacturing branch in South Africa, it finally decided against the move, because of the then existing apartheid laws which mandated racial segregation and discrimination against black. She is now faced with three somewhat similar situations—were they similar? First, the company has the opportunity to contract at an excellent price for fabric woven in China. However, she has reports that the fabric probably came from factories employing forced labor. A second opportunity is to buy clothing manufactured in Pakistan. Again, however she has reports that her sources are using child labor, usually girls under 14 yrs. of age. Her third opportunity is to open a plant in Saudi Arabia. In this situation she is warned that for the operation to be successful, women should not be placed in executive positions because they would not be taken seriously by those with they had to deal.

Case Study 4
An airplane manufacturer has spent great deal of money developing a new airplane. The company badly needs cash because it is financially over extended. If it does not get some large orders soon, it will have to close down some part of its operation. Doing that would put several thousand workers out of job. The result will be disastrous not only for the workers but also for the town in which they live. The President of the company has been trying to interest the government of a foreign country in a large purchase. He learns that one of the key governmental ministers in charge of making final decision is heavily indebted because of gambling. He quietly contacts that minister and offers him 10 Lakh in cash if he awards the contracts for five planes to his firm. The money is paid and the contract is awarded.