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CHAPTER-I

INTRODUCTION

Ethics is derived from the Greek word ‘ethos’ which means a person’s fundamental orientation toward life. Ethics refers to the moral standards used to govern behaviour and to determine right or wrong, good or bad. Ethical behaviour is the acts consistent with the moral standards or codes of conduct established by society (Fernando, A., 2009). Ethical standards may change over time and differ from culture to culture. For example, political bribes or payoffs may be acceptable in one culture but not in another. Ethical issues are inevitable in business.

Our country has been known as the leader in the area of ethics, values and so on for the rest of world since time immemorial. Over a period of time our own countrymen have gone away from the area of ethics, though gradually. Recently there is a rapid fall in ethics throughout the country, which again necessitates thinking over the meaning, need/significance and its practice. The Oxford English Dictionary defines “ethics as the science of morals, rules of conduct or moral principles.” It is very often used, as a synonym for terms like values, norms, standards and morality etc. Ethics is something like electricity, not apparent to the naked eye, but felt instantaneously in certain specific conditions and also visible when power is switched on. Ethics is like a fabric of whole society and therefore a society without ethics is like a man without clothes. (Stephen R. Covey 2012). It means ethics is something which prevents nudity in any society and thus also determines the comparison of degree of nudity in any civic society. Ethics therefore is essentially required to adopt and cover wholly the whole body of bodies of any civic society. It only differentiates between a civic and barbaric action (Manuel G Velasquez, Fall 1987).

Ethics is Two Things:

First, ethics refers to well based standards of right and wrong that prescribe what
humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues (Michael J Meyer 1987). Ethics, for example, refers to those standards that impose the reasonable obligations to refrain from rape, stealing, murder, assault, slander, and fraud. Ethical standards also include those that enjoin virtues of honesty, compassion, and loyalty. Ethical standards include standards relating to rights, such as the right to life, the right to freedom from injury, and the right to privacy. Such standards are adequate standards of ethics because they are supported by consistent and well founded reasons.

Secondly, ethics refers to the study and development of one's ethical standards. As mentioned above, feelings, laws, and social norms can deviate from what is ethical. So it is necessary to constantly examine one's standards to ensure that they are reasonable and well-founded. Ethics also means, that the continuous effort of studying moral beliefs and moral conduct, and striving to ensure that the institutions help to shape, live up to standards that are reasonable and solidly-based.

Ethics is a system of moral principles. They affect how people make decisions and lead their lives. Ethics is concerned with what is good for individuals and society and is also described as moral philosophy.

Ethics covers the following dilemmas:

- how to live a good life
- rights and responsibilities
- the language of right and wrong
- Moral decisions - what is good and bad?

i. Evolution of Ethics Over the Years:

If trace the history of ethics in business, it would realize that ethics had been part of theological discussions prior to 1960. Before 1970s, there were a few writers like Raymond Baumhart who dealt with ethics and business. Ethical issues were mostly discussed as part of social issues. Men of religion and theologians continued writing and teaching on ethics in business. Professors in B-schools
wrote and continued to talk about Corporate Social Responsibility (CSR), the handmaid of ethics. However, the catalyst that led to the field of business ethics was the entry of several "philosophers, who brought ethical theory and philosophical analysis to bear on a variety of issues." Norman Bowie - dates the genesis of business ethics in November 1974, with the first conference on the subject held at the University of Kansas. In 1979, three anthologies on business ethics appeared. They were (i) Ethical Theory and Businesses by Tom Beauchamp and Norman Bowie; (ii) Ethical Issues in Business: A Philosophical Approach by Thomas Donaldson and Patricia Werhane; and (iii) Moral Issues in Business by Vincent Berry. In 1982, Richard De George brought out Business Ethics while Manuel G. Velasquez published his Business Ethics: Concepts and Cases. All these books created a lot of interest on the subject and business ethics courses were offered in several management schools. The emergence of business ethics, however, was not restricted to textbooks and courses in B-schools. By 1975, business ethics became institutionalized at many levels through writings and conferences. By 1980s, the subject was taught in several universities in the United States and Europe. There were also, by this time, many journals of business ethics, apart from societies established to promote ethical practices. By the year 1990, business ethics as a management discipline was well-established. "Although the academicians from the start had sought to develop contacts with the business community, the history of the development of business ethics as a movement in business, though related to the academic developments, can be seen to have a history of its own."

ii. Approaches to Ethics:

Philosophers now-a-days tend to divide ethical theories into three areas: Meta ethics, Normative ethics and Applied ethics.

- Meta-ethics deals with the nature of moral judgement. It looks at the origins and meaning of ethical principles.
- Normative ethics is concerned with the content of moral judgements and the criteria for what is right or wrong (H Carens – 1996)⁵.
• Applied ethics looks at controversial issues like war, animal rights and capital punishment and human rights.

Philosophers Views on Origin of Ethics:

Philosophers have several answers to this.

• God and religion
• Human conscience and intuition
• A rational moral cost-benefit analysis of actions and their effects
• The example of good human beings
• A desire for the best for people in each unique situation
• Political power

iii. Ethical Behaviour of Employees:

Before venturing to discuss the ethical behaviour of the employees, one has to go into grass root level of ethics. There are various definitions to Ethics. Ethics is a set of moral rules and regulations formulated from time immemorial by the Society for its members to lead an honest and happy life. For achieving the same, self-interest of the members is secondary and caring for others is primary. Ethics indicates the way of life one has to lead, where honesty, discipline and understanding of moral ideals, character and relationship with others are the influencing forces. It also cautions the members about the opposing forces to which one should not succumb. Mike Martin, in his Book “Ethics in Engineering” says, “Ethics is also used to refer to the particular set of beliefs, attitudes and habits that a person or group displays concerning morality.” It is the ‘discipline dealing with what is good and bad and with moral duty and obligation’ (Mollie Painter-Morland - 2011)⁶.

Ethics are of two types. They are: Personal Ethics and Professional Ethics. Personal Ethics is defined as “the rules by which an individual lives his or her personal life” and Professional Ethics indicates the moral way the Professional should behave in his domain of profession, be it engineering, medical, legal or business. Ethics in general indicates the moral choices made by each person in relationship with other persons.
Great philosophers such as Socrates and Aristotle propounded their theory of ethics based on ancient religious thoughts prevailed in Greece. Later, philosophers like Kant and Mill modified the base of Ethics to say that it need not stem from religion and advocated that the moral principles are universal regardless of their origin and are applicable even in secular settings.

There are many moral theories helping the employee how to conduct in various situations relating to personal and professional areas.

- Duty Ethics, Rights Ethics and Virtue Ethics are important moral theories.
- Duty Ethics contends that there are duties that an individual should perform, like treating others fairly or duty not to injure others.
- Rights Ethics emphasizes that all have moral rights and any action violating those rights is ethically unacceptable.
- Virtue Ethics regards actions as right that manifest good character traits and regards actions as bad that display bad character traits called vices. This theory underscores the type of person one should be. Responsibility, honesty, competence and loyalty are considered as virtues and they are more of personal ethics. However, in using Virtue Ethics it is important to ensure that the traits one identifies are really virtuous and will not lead to negative consequences.

Employees are bound to have moral problems in their personal as well as in their professional areas. Employees behaviour will change according to different situations. Unless they understand the ethical problem fully, their behaviour is bound to be different and consequently, no solution would be at sight.

iv. **Ethics and Responsibilities:**

Ethics has several attributes, some of which are universal in nature, while others are bound by time and place. It may be specific to a particular task situation, profession or area of responsibility, e.g., ethics of top executives, middle executives, junior executives in any company, ethics of a Judge, ethics of a Doctor, Teacher or a Chartered Accountant and so on. Now-a-days ethics or values are being prescribed even for
organizations as a whole to carry out the activities with the sense of right and wrong i.e., what is permissible, what is not permissible, what is to be done and what is not to be done. Certain things are expected from everyone, while there may be a few specific things expected according to the nature of groups or responsibilities. Ethics is something related to a state of mind, a way of looking at things, which may develop into a pattern of behaviour, or way of life and social conduct. One’s values may indicate or reveal one’s preferences, while norms identify social prescriptions or obligations, which have a regulatory significance (Carter, C., 2007). One should always bear in mind and have clear-cut difference in authority, responsibility and accountability. No authority can be without responsibility and accountability. Duty is the balanced mixture of authority, responsibility and accountability. Thus, every person is accountable for his good or bad decisions/deeds.

Ethics is a branch of philosophy which seeks to address questions about morality, such as what the fundamental semantic, ontological, and epistemic nature of ethics or morality is (meta-ethics), how moral values should be determined (normative ethics), how a moral outcome can be achieved in specific situations (applied ethics), how moral capacity or moral agency develops and what its nature is (moral psychology), and what moral values people actually abide by descriptive ethics (Paul, Richard; 2006).

v. Objectives of Ethics:

1. The primary objectives are to define the highest good of man and set a standard for the same. Ethics deals with several interrelated and complex problems which may be of psychological, legal, commercial, philosophical, sociological and political in nature.

2. The other objectives are many. These are:

   a. Study of human behavior; making evaluative assessment about them as moral or immoral.
   b. Establishing moral standards and norms of behavior,
   c. Making judgment upon human behavior based on these standards/norms,
d. Prescribing moral behavior making recommendations about how to behave or vice-versa.

e. Expressing an opinion or attitude about human conduct in general.

The objectives of ethics are shown in the Figure 1.1 below.

**Figure 1.1: Objectives of Ethics**

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vi. **Types of Ethics:**

A. **Meta-Ethics:**

Meta-ethics is concerned primarily with the meaning of ethical judgments and/or prescriptions and with the notion of which properties, if any, are responsible for the truth or validity thereof. Meta-ethics as a discipline gained attention with G.E. Moore's famous work Principia Ethica from 1903 in which Moore first addressed what he referred to as the naturalistic fallacy. Moore's rebuttal of naturalistic ethics, his Open Question Argument sparked an interest within the analytic branch of western philosophy to concern oneself with second order questions about ethics; specifically the semantics, epistemology and ontology of ethics.

The semantics of ethics divides naturally into descriptivism and non-descriptivism. The former position advocates the idea that prescriptive language
(including ethical commands and duties) is a subdivision of descriptive language and has meaning in virtue of the same kind of properties as descriptive propositions, whereas the latter contends that ethical propositions are irreducible in the sense that their meaning cannot be explicated sufficiently in terms of truth-conditions.

Correspondingly, the epistemology of ethics divides into cognitivism and non-cognitivism; a distinction that is often perceived as equivalent to that between descriptivists and non-descriptivists. Non-cognitivism may be understood as the claim that ethical claims reach beyond the scope of human cognition or as the (weaker) claim that ethics is concerned with action rather than with knowledge. Cognitivism can then be seen as the claim that ethics is essentially concerned with judgments of the same kind as knowledge judgments; namely about matters of fact.

The ontology of ethics is concerned with the idea of value-bearing properties, i.e. the kind of things or stuffs that would correspond to or be referred to by ethical propositions. Non-descriptivists and non-cognitivists will generally tend to argue that ethics do not require a specific ontology, since ethical propositions do not refer to objects in the same way that descriptive propositions do. Such a position may sometimes be called anti-realist. Realists on the other hand are left with having to explain what kind of entities, properties or states are relevant for ethics, and why they have the normative status characteristic of ethics.

**B. Normative Ethics:**

Traditionally, normative ethics (also known as moral theory) was the study of what makes actions right and wrong. These theories offered an overarching moral principle to which one could appeal in resolving difficult moral decisions.

At the turn of the 20th century, moral theories became more complex and are no longer concerned solely with rightness and wrongness, but are interested in many different kinds of moral status. During the middle of the century, the study of normative ethics declined as meta-ethics grew in prominence. This focus on meta-ethics was in part caused by an intense linguistic focus in analytic philosophy and by the popularity of logical positivism.
C. Applied Ethics:

Applied ethics is a discipline of philosophy that attempts to apply ethical theory to real-life situations. The discipline has many specialized fields, such as bio-ethics and business ethics.

The lines of distinction between meta-ethics, normative ethics, and applied ethics are often blurry. For example, the issue of abortion can be seen as an applied ethical topic since it involves a specific type of controversial behaviour. But it can also depend on more general normative principles, such as possible rights of self-rule and right to life, principles which are often litmus tests for determining the morality of that procedure. The issue also rests on meta-ethical issues such as, "where do rights come from?" and "what kind of beings has rights?"

After going through the above information about the different types of ethics, as a researcher it is felt that some modified type of ethics can be developed for making more effective in understanding the types of ethics, in the process of that with small modification following figure was developed which can also be suitable for the research organization.
vii. Ethics in Business:

In the normal sense the term “Business” includes every type of economic activity carried on by a business enterprise like manufacturing, marketing, trading, importing, exporting and providing various types of services and such activities may be conducted by an individual, a partnership firm or a limited company. However, as we are concerned with the ethical values of a modern corporate entity, in the fitness of things it is felt the usage of the term “Corporate Ethics” rather than the term “Business Ethics” will be more
appropriate for our discussion. When it comes to governance of companies it is used as the term “Corporate Governance” and not “Business Governance.”

**FIGURE 1.3: TRADITIONAL MODEL OF THE ORGANISATION**
As the ethical values and principles are identified as core human virtues, it is expected that every member of the Board and the senior management team of a corporate entity should possess and develop such virtues for the good of mankind. Unless there is complete cohesion, mutual trust and perfect understanding between the promoters (people who hold majority stake in a company), Board and senior management team to carry on the business activities on ethical lines and by fair means for common good of society rather than promotion of their self-interest and personal enrichment, there will be conflicts, frictions, disagreements and disputes between them relating good corporate governance, which may come out in the open selling the good image and reputation of an organisation nurtured and built over a period of time. In the broader sense business ethics involves a number of complex areas of a business management and administration such as economic systems, organisational constitution, organisational policy, business strategy based on intuition and level of existing and anticipated competition in the market place, functional operations and individual conduct of the core team, which can throw light to the level of ethical values and practices existing in a corporate enterprise and how they can be improved by pedagogy. In substance business ethics aims at to manage all relationships both internal and external with total commitment and integrity and with a view to ensure the long term survival of a corporate organisation. An organisation can grow, expand and successful only if there is adequate disclosure of information at all levels, cross fertilization of ideas more so with the active involvement of a knowledgeable and talented work force, transparency in business dealings resulting in shared vision and values (Peterson, Christopher: Seligman. Martin 2004)\(^8\).

Every corporate entity must create a good environment for creativity and excellence providing enough independence and authority to its staff at all levels but at the same time it must establish adequate, proper, effective monitoring and control systems so as to ensure that its business activities are properly conducted within the legal and regulatory framework. It should be recognised and appreciated that any serious violation of ethical values and principles in its functioning will not only undermine the public confidence in it, bring bad publicity but ultimately result in strong intervention by Government and a number of regulatory bodies. No doubt on account of various pressures exercised by different sections of society, a company will always be subject to
supervision and regulation of its activities as a responsible social entity on its size, behaviour, governance, accounting, legal and social compliances under various laws, rules and regulations applicable to it.

Recent global events have conclusively proved the Chief Executive Officers (CEOs) and a few other top executives exercise excessive powers and unlimited authority in the organizational hierarchy of a great majority of business organizations. Consequently the philosophy of many corporations is not distinguishable from the personal ambitions, goals and objectives of the CEO. If the CEO is considered a charismatic leader with a strong social commitment he will be able to gain a lot of respect and goodwill of his shareholders, employees, consumers and society at large and thereby enhancing the image and esteem of the corporate entity, which is under his control. On the other hand if the CEO attempts primarily focus on increasing his own personal wealth aided and abutted by an inner circle of key executives at the cost of the organization, sooner or later he will ensure the downfall of himself as well as of the organisation in which he is serving. A recent research study published by the United Kingdom’s Institute of Business Ethics based on various criteria including ethical code of practices provides irrefutable proof and strong evidence that companies clearly committed to ethical behaviour perform financially well over the long term than those lacking such a commitment. In the aftermath of recent corporate scandals Business Ethics has now become a hot and popular subject for teachings and case studies in all world renowned business schools.

viii. Characteristics of Business Ethics:

Every Business organisation should conduct its business keeping in mind to make that the organisation should have an ethical image, through-out which will have the impact on its success not mere financial aspect but as more ethical means. World’s reputed business firms which are maintaining ethical standards are prospering with exemplary progress. Some examples are; Nippon, Microsoft, Intel, Hitachi, Pepsico, Wipro etc., Business ethics are ethics that refer to the moral rules and regulations governing the business world. In other words, they are the moral values that guide the way corporations or other business make decisions. Some business ethics are imposed by
Business ethics is the behavior that a business adheres to in its daily dealings with the world. The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer. Good business ethics should be a part of every business. The main characteristics of business ethics are as follows:

1. Business ethics constitutes the guiding principles of business functions with the help of this, businessmen can lean about the progress, situation, environment and conditions of the business.

2. Business ethics is that branch of the business environment in which can study about the goals and means for the rational selection of sacred objects and their fulfillment.

3. Business ethics is concerned with the principles of business behaviour, standards, moral values etc. With the study of business ethics, we can show the difference between good and evil, proper and improve actions of business. For these activities in business, business ethics is known as an ideal science. It is an art because it emphasizes practical use of behavioural standards, techniques and principles.

4. Business ethics all those which are concerned with human aspect. It provides information to customers, government, society etc, on good or bad, right or wrong conducts of business.

5. Social responsibility is concerned with functions, programmes and policies of an enterprise, whereas business ethics is related with the conduct and behaviour of businessmen. But social responsibility of business and its policies are influenced by ethics.

6. The development of business ethics is possible on the basis of theological principles, such as service, human welfare, sincerity, good behaviour etc.

7. Personal dignity can develop with the principles of ethics.

8. Business ethics is not concerned with emotions but is based on reality and social customs. As a matter of fact, business ethics is developed after testing the requirements of business environment, social customs and traditions.
9. Business ethics is a universal philosophy. Ethical principles have relevance in every business.

ix. **Levels of Business Ethics:**

1. **Societal**
   At this level, questions about the basic institutions in a society are asked. The problem of apartheid and debate over the merits of capitalism are examples of such questions.

2. **Stakeholders**
   This level is concerned with relations between a business enterprise and its stakeholders such as employees, customers, shareholders, government, regulators, unions, small investment groups, suppliers, etc. Insider trading is one example of such relations.

3. **Internal policy**
   At this level, relations between an organization and its employees are analyzed. Rights and obligations of the two towards each other are important.

4. **Personal**
   Here questions about how people should treat one another within an organization are asked. These questions deal with the day-to-day issues of life.

x. **The Main Elements of Business Ethics:**

1. **Values:** Values are the moral beliefs held by an individual, an organization and a society. Values represent moral convictions and are relatively permanent. For example a company may charge reasonable prices due to its value systems inspite of its monopoly position in the industry.

2. **Rights:** Rights are the claims of the individual or organization. For example every citizen of India enjoys certain rights under the country’s constitution.

3. **Duties:** Duties are the obligations of a person or an organization. For expel every citizen has the duty to follow the country’s law.
xi. **Factors Governing Business Ethics:**

Business ethics has deep and wide roots in society. Some of the pressure points of ethical behavior are given below:

1. **Value forming institutions**
   
   The value system of an individual is shaped by various institutions, e.g., family, religion, school and the government. These institutions prescribe what is good or bad for an individual. Right behavior is rewarded while wrong behavior is punished. This continues throughout the life of an individual as he acquires certain values through his daily experience in the long run. The influences of these institutions are interrelated. The values fostered by one institution are reinforced by the others. As an organization is an agglomeration of individuals, its values are the collective values of its members. That is why a conflict may arise between the values of the organization and those of an individual.

2. **Organizational goals**

   The objectives of an organization influence the values of its members. A business is an economic institution and it must be profitable. The classical economic theory stressed profit maximization goal. Many times, achieve organizational goals. But the goal may be tempered by many values. Leadership, integrity, knowledge and skills, survival are some of them. All these factors change the goals of an organization and consequently expected behavior from its members.

3. **Work and career**

   Work refers to the job and the tasks or responsibilities associated with it. Career, on the other hand, represents a series of jobs or positions. Each work has its own values and persons performing the work follow these values. For example, sales people may have different values than engineers. Thus, work and career create special values that give unity, cohesion and meaning to persons and groups.

4. **Superiors**

   Most people succumb to pressure from superiors in doing things that they may consider unethical otherwise. For example, a secretary may tell a visitor that the
boss is out when he is actually in because her boss has told her to do so. Many a time an employee may sign false documents due to pressure from the boss.

5. **Peers and colleagues**
An individual in a work group tends to conform to the norms of the group. He does so either to get approval or friendship of his colleagues. He adopts the attitudes, beliefs and values of the group to which he is associated. Thus, the behavioral standards of the peers and colleagues exercise a significant influence on the value system of an individual. For example, a person may justify some indiscretions on the basis that ‘everybody is doing it’.

6. **Professional codes**
These days three types of codes are available. First, big companies formulate their philosophy or creed to guide the behavior of their employees. The main objective of these documents is to build the company’s image by showing the company’s concern for ethical behavior in the society. Secondly, company policies contain a code to guide actions that have an ethical conduct, example, no discrimination in recruitment on the basis of caste, creed, sex and religion. Thirdly, professional bodies have prescribed ethical codes to govern the conduct of their members. In India, the Institute of Company Secretaries of India, the All India Management Association (AIMA) etc have formulated professional codes. These codes are enforced through fines and even expulsion of erring members. However, such sanction is not very effective in the field of management code because the AIMA does not have the statutory authority to enforce and majority of managers are not its members.

According to the business ethics survey conducted by KPMG India smart Indian companies are increasingly becoming concerned about ‘the way they do business’. They realize that ‘good ethics is good business too’. The survey suggested the following five steps to develop Ethical Corporation.

- Appoint an ethics officer preferably a respected senior executive who has recently retired from your organization.
- Involve employees in developing a mission statement, if you already have one, recheck if you need to add ethics to it.
- Evolve a code of conduct and ensure every employee knows exactly how your company likes to conduct business.
- Facilitate upstream communication from employees by investing in a grievance cell or a hotline or an ombudsman.
- Build an ethical culture by personal example CEO should stand for chief ethics officer in your company.

Basing on the above information the above factors influencing business ethics are consolidated and presented in the following Figure 1.4.

**Figure 1.4: Factors Influencing 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

*If we pollute even a small amount, the world would be a very dirty place in which we would not like to live
Managing Ethics:

Managing ethics in the workplace holds tremendous benefit for leaders and managers, benefits both moral and practical (SA Sherlekar, 2001)\(^\text{10}\). This is particularly true today when it is critical to understand and manage highly diverse values in the workplace. However, the field of business ethics has traditionally been the domain of philosophers, academics and social critics. Consequently, much of today's literature about business ethics is not geared toward the practical needs of leaders and managers -- the people primarily responsible for managing ethics in the workplace. The most frequent forms of business ethics literature today typically include:

A. Philosophical, which requires extensive orientation and analysis;
B. Anthologies, which require much time, review and integration;
C. Case studies, which require numerous cases, and much time and analyses to synthesize;
D. Focus on social responsibility, which includes many examples of good and bad actions taken by companies. (This lack of practical information is not the fault of philosophers, academic or social critics. The problem is the outcome of insufficient involvement of leaders and managers in discussion and literature about business ethics. More leaders and managers must become involved. This guidebook aims to increase that involvement.)

Guidelines for Managing Ethics at the Workplace:

The following guidelines ensure the ethics management program is operated in a meaningful fashion:

1. Recognize that managing ethics is a process. Ethics is a matter of values and associated behaviors. Values are discerned through the process of ongoing reflection. Therefore, ethics programs may seem more process-oriented than most management practices. Managers tend to be skeptical of process-oriented activities, and instead prefer processes focused on deliverables with measurements. However, experienced managers realize that the deliverables of standard management practices (planning, organizing, motivating,
controlling) are only tangible representations of very process-oriented practices. For example, the process of strategic planning is much more important than the plan produced by the process. The same is true for ethics management. Ethics programs do produce deliverables, e.g., codes, policies and procedures, budget items, meeting minutes, authorization forms, newsletters, etc. However, the most important aspect from an ethics management program is the process of reflection and dialogue that produces these deliverables.

2. The bottom line of an ethics program is accomplishing preferred behaviors in the workplace. As with any management practice, the most important outcome is behaviors preferred by the organization. The best of ethical values and intentions are relatively meaningless unless they generate fair and just behaviors in the workplace. That's why practices that generate lists of ethical values, or codes of ethics, must also generate policies, procedures and training that translate those values to appropriate behaviors.

3. The best way to handle ethical dilemmas is to avoid their occurrence in the first place. That's why practices such as developing codes of ethics and codes of conduct are so important. Their development sensitizes employees to ethical considerations and minimize the chances of unethical behavior occurring in the first place.

4. Make ethics decisions in groups, and make decisions public, as appropriate. This usually produces better quality decisions by including diverse interests and perspectives, and increases the credibility of the decision process and outcome by reducing suspicion of unfair bias.

5. Integrate ethics management culture and then design policies to produce these behaviours with other management practices. When developing the values statement during strategic planning, include ethical values preferred in the workplace. When developing personnel policies, reflect on what ethical values you'd like to be most prominent in the organizations.

6. Use cross-functional teams when developing and implementing the ethics management program. It’s vital that the organization’s employees feel a sense of participation and
ownership in the program if they are to adhere to its ethical values. Therefore, include employees in developing and operating the program.

7. Value forgiveness: This may sound rather religious or preachy to some, but it’s probably the most important component of any management practice. An ethics management program may at first actually increase the number of ethical issues to be dealt with because people are more sensitive to their occurrence. Consequently, there may be more occasions to address people’s unethical behavior. The most important ingredient for remaining ethical is trying to be ethical. Therefore, help people recognize and address their mistakes and then support them to continue to try operate ethically.

8. Note that trying to operate ethically and making a few mistakes is better than not trying at all. Some organizations have become widely known as operating in a highly ethical manner, e.g., Johnson and Johnson, Intel, Hewlett Packard, Ford, etc. Unfortunately, it seems that when an organization achieves this strong public image, it's placed on a pedestal by some business ethics writers. All organizations are comprised of people and people are not perfect. However, when a mistake is made by any of these organizations, the organization has a long way to fall. In our increasingly critical society, these organizations are accused of being hypocritical and they are soon pilloried by social critics. Consequently, some leaders may fear sticking their necks out publicly to announce an ethics management program. This is extremely unfortunate. It's the trying that counts and brings peace of mind -- not achieving an heroic status in society.

xiii. Need for Ethics in Business:

Ethical considerations are as important in management as in any other occupation. In the field of morality, personal life is not separate from business life. The social dimensions of business ethics cannot be overlooked because many problems arise from the relationship of business to the broader society. Ethical considerations are significant for managers due to the following reasons:

a) For every individual, job is the centre of life. Unless job values are in harmony with the rest of life, he cannot be a happy and healthy person.
b) Modern society is an industrial society. Therefore, business values become the values of the society as a whole.

c) A business executive must take into consideration the moral and social considerations because these are the real motivating factors.

d) When an organization fails to behave in accordance with the social expectations, it may lose not only its image and market share but its very right to exist.

e) Today, a business manager is expected to serve as a trustee of various social groups. As the trustee, he must observe the ethical values of the society.

**FIGURE 1.5: ETHICAL INFLUENCE ON BUSINESS**

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<tr>
<th>Functions</th>
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<td>Marketing</td>
<td>Treatment of customer complaints</td>
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<td>Advertising</td>
<td>Trust of claims</td>
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<td>Location</td>
<td>Impact on community and environment</td>
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<td>Production</td>
<td>Pollution treatment claims</td>
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<td>Transportation</td>
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<td>Administration</td>
<td>Concern for social values</td>
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<td>Finance</td>
<td>Profits to re-compensate investors</td>
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<td>Safeguarding assets</td>
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<td>Personnel</td>
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<td>Fair treatment in hiring,</td>
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<td>Promotion, dismissal and pensions</td>
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<td>Purchasing</td>
<td>Avoid hoarding</td>
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<tr>
<td>Information</td>
<td>Credibility and validity</td>
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xiv. **Sources of Ethical Standards:**

Ethical standards originate and develop from the following sources:
1. **Societal Attitudes:**
Decline in society’s norms as reflected in greater emphasis on permissiveness, decline in the influence of family and orientation towards quantity as opposed to quality tend to lower ethical standards. Emphasis on public disclosure and media information increase awareness and consciousness creating or at least enforcing existing ethical standards. Society is becoming less independent as individuals become more oriented to groups. Groups establish norms which can have a significant impact on individual behaviour. But these differ from group to group causing conflict and confusion concerning which standards should be followed.

2. **Competitive Pressures:**
Our economic system is built on two fundamental concepts of efforts and competition. The essence of these beliefs is that working hard and outperforming others in achieving goals will be rewarded with high levels of success. In recent years, however, ‘winning at all cost ’philosophy has become prominent. This philosophy tends to substitute unethical practices, example cheating for hard work. For example, business firms often make questionable claims in their advertisements in order to outperform their competitors.

3. **Legal Environment:**
The legislative environment is confusing and full of loop holes. Legal interpretations and entanglements often make it difficult for managers to know exactly what course to take or what decisions to make. Even then law affects ethical behaviour. Many a time what is considered ethical is made law.

4. **Code of Ethics:**
Code of conduct serves as a guide to all members of the profession or industry. A code of ethics requires and prohibits specific practices. It may not deter the misbehavior of intentional wrong doers but it reminds employees that the company is fully committed to meeting its standards and asks them to incorporate these standards into their daily activities. Codes of conduct have been developed in medical, legal and accounting professions. There is, however universal code of conduct to guide managers.
Advocates of code of conduct argue that it will improve the confidence for customers and others in the quality of products and services. It will guide managers in their daily jobs. In the long run, it will improve the quality of management talent reaching the top level. On the other hand, critics argue that it will restrict the freedom of managers. The environment of any organization is too dynamic for any specific code of conduct. A strict code will introduce rigidity while a loose code of conduct would result in different interpretations to suit individual needs. It would be very difficult to enforce a code of conduct.

Code of ethics is necessary and useful. If stated in operational terms and supported by organizations, it can be a guide to socially responsible behaviour. There are several ways of institutionalizing managerial ethics. Social audit and code of ethics have already been described. Ethics committees, ombudsman offices, judicial boards and ethics training are other ways. Some companies are arranging training programs to teach their employees how to confront moral problems in business. Some firms have judicial boards that rule on ethical questions. Others have appointed ombudsman (an officer to investigate decisions from the viewpoint of ethics). Taking a long term perspective and improving organizational communication both internally and externally can also be helpful in improving managerial ethics.

xv. Benefits of Managing Ethics at the Workplace:

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics in the workplace.

1. Attention to business ethics has substantially improved society:

A matter of decades ago, children in our country worked 16-hour days. Workers’ limbs were torn off and disabled workers were condemned to poverty and often to starvation. Trusts controlled some markets to the extent that prices were fixed and small businesses choked out. Price fixing crippled normal market forces. Employees were terminated based on personalities. Influence was applied through intimidation and harassment. Then society reacted and demanded that businesses place high value
on fairness and equal rights. Anti-trust laws were instituted. Government agencies were established. Unions were organized. Laws and regulations were established.

2. **Ethics programs help maintain a moral course in turbulent times:**

As noted earlier in this document, Wallace and Pekel explain that attention to business ethics is critical during times of fundamental change -- times much like those faced now by businesses, either non-profit or for-profit. During times of change, there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong. Continuing attention to ethics in the workplace sensitizes leaders and staff to how they want to act -- consistently.

3. **Ethics programs cultivate strong teamwork and productivity:**

Ethics programs align employee behaviors with those top priority ethical values preferred by leaders of the organization. Usually, an organization finds surprising disparity between its preferred values and the values actually reflected by behaviors in the workplace. Ongoing attention and dialogue regarding values in the workplace builds openness, integrity and community -- critical ingredients of strong teams in the workplace. Employees feel strong alignment between their values and those of the organization. They react with strong motivation and performance.

4. **Ethics programs support employee growth and meaning:**

Attention to ethics in the workplace helps employees face reality, both good and bad - - in the organization and themselves. Employees feel full confidence they can admit and deal with whatever comes their way. Bennett, in his article "Unethical Behavior, Stress Appear Linked" (Wall Street Journal, April 11, 1991, p. B1), explained that a consulting company tested a range of executives and managers. Their most striking finding: the more emotionally healthy executives, as measured on a battery of tests, the more likely they were to score high on ethics tests.
5. Ethics programs are an insurance policy:

They help ensure that policies are legal. There is an increasing number of lawsuits in regard to personnel matters and to effects of an organization’s services or products on stakeholders. As mentioned earlier in this document, ethical principles are often state-of-the-art legal matters. These principles are often applied to current, major ethical issues to become legislation. Attention to ethics ensures highly ethical policies and procedures in the workplace. It’s far better to incur the cost of mechanisms to ensure ethical practices now than to incur costs of litigation later. A major intent of well-designed personnel policies is to ensure ethical treatment of employees, e.g., in matters of hiring, evaluating, disciplining, firing, etc. Drake and Drake note that “an employer can be subject to suit for breach of contract for failure to comply with any promise it made, so the gap between stated corporate culture and actual practice has significant legal, as well as ethical implications.

6. Ethics programs help avoid criminal acts “of omission” and can lower fines:

Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an organization is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act, e.g., in business dealings with certain government agencies, such as the Defence Department. The recent Federal Sentencing Guidelines specify major penalties for various types of major ethics violations. However, the guidelines potentially lower fines if an organization has clearly made an effort to operate ethically.

7. Ethics programs help manage values associated with quality management, strategic planning and diversity management:

This benefit needs far more attention. Ethics programs identify preferred values and ensuring organizational behaviors are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviors with preferred values, and then training all personnel about the policies and procedures.
This overall effort is very useful for several other programs in the workplace that require behaviors to be aligned with values, including quality management, strategic planning and diversity management. Total Quality Management includes high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders. Ethics management techniques are highly useful for managing strategic values, e.g., expand market share, reduce costs, etc. McDonnell Douglas integrates their ethics programs into their strategic planning process. Ethics management programs are also useful in managing diversity. Diversity is much more than the colour of people’s skin -- it’s acknowledging different values and perspectives. Diversity programs require recognizing and applying diverse values and perspectives -- these activities are the basis of a sound ethics management program.

8. Ethics programs promote a strong public image:

Attention to ethics is also strong public relations -- admittedly, managing ethics should not be done primarily for reasons of public relations. But, frankly, the fact that an organization regularly gives attention to its ethics can portray a strong positive to the public. People see those organizations as valuing people more than profit, as striving to operate with the utmost of integrity and honor. Aligning behavior with values is critical to effective marketing and public relations programs. Consider how Johnson and Johnson handled the Tylenol crisis versus how Exxon handled the oil spill in Alaska. Bob Dunn, President and CEO of San Francisco-based Business for Social Responsibility, puts it best: “Ethical values, consistently applied, are the cornerstones in building a commercially successful and socially responsible business.”

9. Overall benefits of ethics programs:

Donaldson and Davis, in “Business Ethics? Yes, But What Can it Do for the Bottom Line?” [Management Decision, V28, N6, 1990] explain that managing ethical values in the workplace legitimizes managerial actions, strengthens the coherence and
balance of the organization’s culture, improves trust in relationships between individuals and groups, supports greater consistency in standards and qualities of products, and cultivates greater sensitivity to the impact of the enterprise’s values and messages.

10. **Last and most important:**

Formal attention to ethics in the workplace is the right thing to do.

xvi. **Ethically Effective Management:**

For the effective management of Business Ethics the following points were developed:

1. Integrity is the fundamental requirement for successful Management.
2. Effective communication which is the life breath of modern business commences with right attitudes, rational emotions and sincere feelings, and not simply words. Words cannot communicate if they fail to express the substance of communication precisely, clearly and effectively.
3. Employees of every business organization have to enjoy their fundamental rights properly with a view to discharging their obligations to the society they live in. Hence, they should properly enthused by educational programs, persuaded, motivated and trained in a manner that they can nurture high moral values and obligations towards their organization. Work cannot be accomplished by order but by persuasion and by inculcating in workers a sense of belongingness and common purpose.
4. Every employee has right to his or her dignity. Every individual worker in an organization has his sense of worth and contribution to his organization.
5. Human relations and not merely products have relevance which should be recognized by every healthy business organization.
6. Self-management in industry has to be successfully encouraged. Self-management is the “Summum Bonum” (supreme good) of every organization. Without Self-management, the proper management of other persons became meaningless.
7. It is necessary to encourage decision-making at the operational level so as to make it purposeful and effective.

8. Delegation of responsibility must always be accompanied by appropriate delegation of authority.

9. Workers have to be tactfully guided so as to enable them to understand that their duties are accompanied by concomitant responsibilities.

10. If subordinates come up with well-reasoned suggestions, their bosses should always lend an ear and understand the finer points of those suggestions.

11. In management, democratic leadership provides more satisfactory experiences outwardly and as well as inwardly to each and every member of the organization.

12. Every benevolent organization should take pain to convey the appropriate stance of the company in regard to profits. In this way, truth triumphs favorably in the interests of the organization.

13. It is the responsibility of every management to discharge its social responsibility.

14. Workers should be considered as partners in business because it is they who contribute to the productivity, progress and profitability of their company.

15. Enlightened leadership means making people function as responsible leaders, consumers and citizens.

16. Every business organization should understand that the company exists because people exist, with all their desires and wants, hence the business should function in the larger interest of the national and international communities.

The above information were tabulated and formulated into following Figure 1.6 which will be useful for the understanding of the concept.
As the ethical values and principles exhaustively discussed above are identified as core human virtues, it is expected that every member of the Board and the senior management team of a corporate entity should possess and develop such virtues for the good of mankind. Unless there is complete cohesion, mutual trust and perfect understanding between the promoters (people who hold majority stake in a company), Board and senior management team to carry on the business activities on ethical lines and by fair means for common good of society rather than promotion of their self interest and personal enrichment, there will be conflicts, frictions, disagreements and disputes
between them relating good corporate governance, which may come out in the open sullyng the good image and reputation of an organisation nurtured and built over a period of time. In the broader sense business ethics involves a number of complex areas of a business management and administration such as economic systems, organisational constitution, organisational policy, business strategy based on intuition and level of existing and anticipated competition in the market place, functional operations and individual conduct of the core team, which can throw light to the level of ethical values and practices existing in a corporate enterprise and how they can be improved by pedagogy. In substance business ethics aims at to manage all relationships both internal and external with total commitment and integrity and with a view to ensure the long term survival of a corporate organisation. An organisation can grow, expand and successful only if there is adequate disclosure of information at all levels, cross fertilization of ideas more so with the active involvement of a knowledgeable and talented work force, transparency in business dealings resulting in shared vision and values.

Every corporate entity must create a good environment for creativity and excellence providing enough independence and authority to its staff at all levels but at the same time it must establish adequate, proper, effective monitoring and control systems so as to ensure that its business activities are properly conducted within the legal and regulatory framework. It should be recognised and appreciated that any serious violation of ethical values and principles in its functioning will not only undermine the public confidence in it, bring bad publicity but ultimately result in strong intervention by Government and a number of regulatory bodies. No doubt on account of various pressures exercised by different sections of society, a company will always be subject to supervision and regulation of its activities as a responsible social entity on its size, behaviour, governance, accounting, legal and social compliances under various laws, rules and regulations applicable to it.
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