

## Chapter 1

# ***Introduction–Ethics and Business Ethics***

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### **1.1 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.

## 1.2 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 heaven degree; the difference between virtue and vice is that of a degree; the difference between and hell is that of a degree, all differences in this world are of degrees and not a 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.

So 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.

## 1.3 NATURE AND OBJECTIVES 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, govt. 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 govt.

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 management and conduct.

Ethical issues are more critical today than they have 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.

### Objectives 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 and 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.

## 1.4 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 which 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, some beliefs. But in 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 and Religion*: Though ethics is not synonymous to religion morality is a primary force in shaping our ethics.

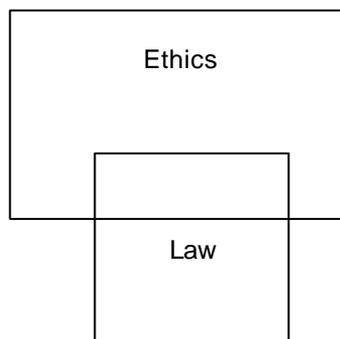
Thomas M. Garrett writes— “The religion derive their moral percepts not only from human experience but from divine revelation. It must rely on the unaided human reason.”

Ethics gets idea from religion and thorough 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 which is enacted by govt. So Govt. 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 force when necessary 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 required ethical behavior may not be covered by the law 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 and 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 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'. But then also a relationship can be derived between value and ethics like this

$$\text{Law} + \text{Knowledge} = \text{Ethics}$$

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

## 1.5 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 and 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 know 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
  - 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.

## 1.6 NEED AND OBJECTIVES OF BUSINESS ETHICS

Need of business ethics:

1. Business operates within the society.
2. Every business irrespective of 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. A 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.

## **1.7 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 and Molander, and Strom and Ruch. It was clear from their findings that only those businesses can develop on a long term bases which conducts activities on ethical grounds.

Once ‘Robert Day’ has said that good ethics not only promotes professionalism in management but it purify the inner mind of every business man.

Another writer Thomas Donaldson (Ethics in business- a new look) has observed that—“there are some key reasons why business ethics is vital 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 and 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.

## 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 which can be directly followed by companies.

## QUESTIONS

1. Elaborate the term ethics.
2. Explain in detail the meaning, nature and objective of ethics.
3. What is business ethics? What are the needs for business ethics?
4. “Good business ethics promotes good business”. Explain the significance of business ethics in 21st century scenario.