

Business Ethics

Ethics $\Rightarrow$ ETHOS
 $\Downarrow$
Conduct/ Behaviour

Chapter-1

Principles of Business Ethics

★ Meaning of Ethics: Ethics are the principles of behaviour governing an individual or a group. It relates to what is good or bad, keeping in mind his moral values.

Ethics has been derived from a Greek word 'ethos' which means behaviour.

★ Meaning of morals: Moral have been derived from a latin word 'Mos' which means customs (values). Morals are our values which are generally explained to us in our childhood.

Business ethics: It means applying our ethical values in our business at the time of taking decisions. In other words if a person applies his moral values while conducting his

business then he said to achieve his business ethics.

following shall be the requirements of business ethics: In other words following should be done to achieve ethics in business.

- (A) Comply with the applicable laws and regulation.
- (B) Insure fair working condition to the employees which are free from Harassment and discrimination.
- (C) Insure consumer welfare while taking decision.
- (D) Adopting an eco friendly attitude so as to protect the environment.

5- following should be the benefits of business ethics:

- (A) Social welfare: By providing fair working condition to the employees which are free from Harassment and discrimination a business can achieve employees welfare. At the same time by ~~avoiding~~ ^{avoiding} adulteration unfair price charged as well as false advertisement consumer welfare can be achieved. Both employees and

consumer welfare will result in social welfare.

(ii)

Public image: A business which behaves ethically will earn a good reputation and increased goodwill in the long run resulting in improved public image.

(iii)

Ability to attract and retain efficient employees: By providing fair working conditions to the employees, a company will be able to retain as well as attract efficient employees as efficient people like to work in organisations having ethical environments.

(iv)

Team work and productivity: Discrimination among the employees divides the employees but if discrimination is ignored, employees will work undivided, i.e. team work will be achieved, resulting in improving the productivity of the employees as well as the entire organisation.

(v)

Reduce government intervention: Government imposes penalties and fines on the organisation which have an unethical attitude. By achieving ethics in business, not only fines and penalties will reduce

but it will also be easy to take industrial licence (Obtain and Renew).

(VI) Strengthening the organisation: By achieving ethics in business the overall strength of the organisation will improve with the long-run. Resulting in Shareholders benefit as well as wealth creation.

(VII) Access to Capital: It will be easy to raise loan and capital from the money market if an organisation has sound ethical principals - (good ethical principals)

6- Following shall be the difference between ethics and morals

	<u>Basis</u>	<u>Ethics</u>	<u>Morals</u>
1-	Definition	✓ (Page No. 1)	✓ (Page No. 1)
2-	Derivation	✓ (Page No. 1)	✓ (Page No. 1)
3-	<u>Adoption</u>	Ethical Principles are not adopted they are self generated	Morals are adopted from any authority Eg- Parents, etc Teachers

Basis

Ethics

Morals

4.

Time

Ethics are developed gradually by taking decision.

Morals are generally adopted in the childhood in the form of teachings.

5.

Scope

Ethics work on a wider scale as compare to morals

morals are narrow as compared to ethics

6.

7.

Ethical issue: An ethical issue is an identifiable problem, situation where a decision maker has to choose between a right and a wrong.

Eg.

To increase production and profit is right but at the cost of employees, consumers is wrong. A production manager has to take a decision keeping in mind his moral values.

8.

Ethical Dilemma: An ethical dilemma is a problem or a situation where a decision maker has to choose between a right and a right. In both the cases his ~~eth~~ decision will be ethical.

Eg.

A finance manager has to choose between two projects who are giving

equal returns. In order to resolve ethical dilemma the decision maker should document the problem, consider the cause and effect of both the options, be unbiased while taking a decision and search for an alternative to resolve the problem.

9. Gandhiji listed the following social sins:-

1- politics without principles: It means politics should be done keeping in mind some principles.

Eg. Punjab politics

2. wealth without work: In order to earn good wealth a person should work i.e. hard work is necessary to earn money. Without work wealth is a sin.

3- Science without humanity: Scientist should develop new ideas and make invention which are favorable for mankind i.e. if science is used against the mankind then it is a social sin.

Eg. Scientist are developing a new medicine which is against human-being.

- 4- Knowledge without Character: A person having good knowledge should also have a good character so that he can share his knowledge with another person.
- Eg- Ravan was having good knowledge but was not having character.
- 5- Commerce without morality: Business should be done keeping in mind the moral values otherwise it shall be a social sin.
- 6- Worship without sacrifice: If a person worship then he should ready to sacrifice for such worship otherwise it shall be a sin.
- 7- pleasure without Conscience: A person should enjoy keeping in mind his limits i.e. pleasure should be with Conscience otherwise it shall be a social sin.