

Subject : E D B E

Chapter: Principles of Business Ethics

Semester: IV

Prof: Harsha Sethia(HS)
Dept. of Commerce
T.H.K.Jain College



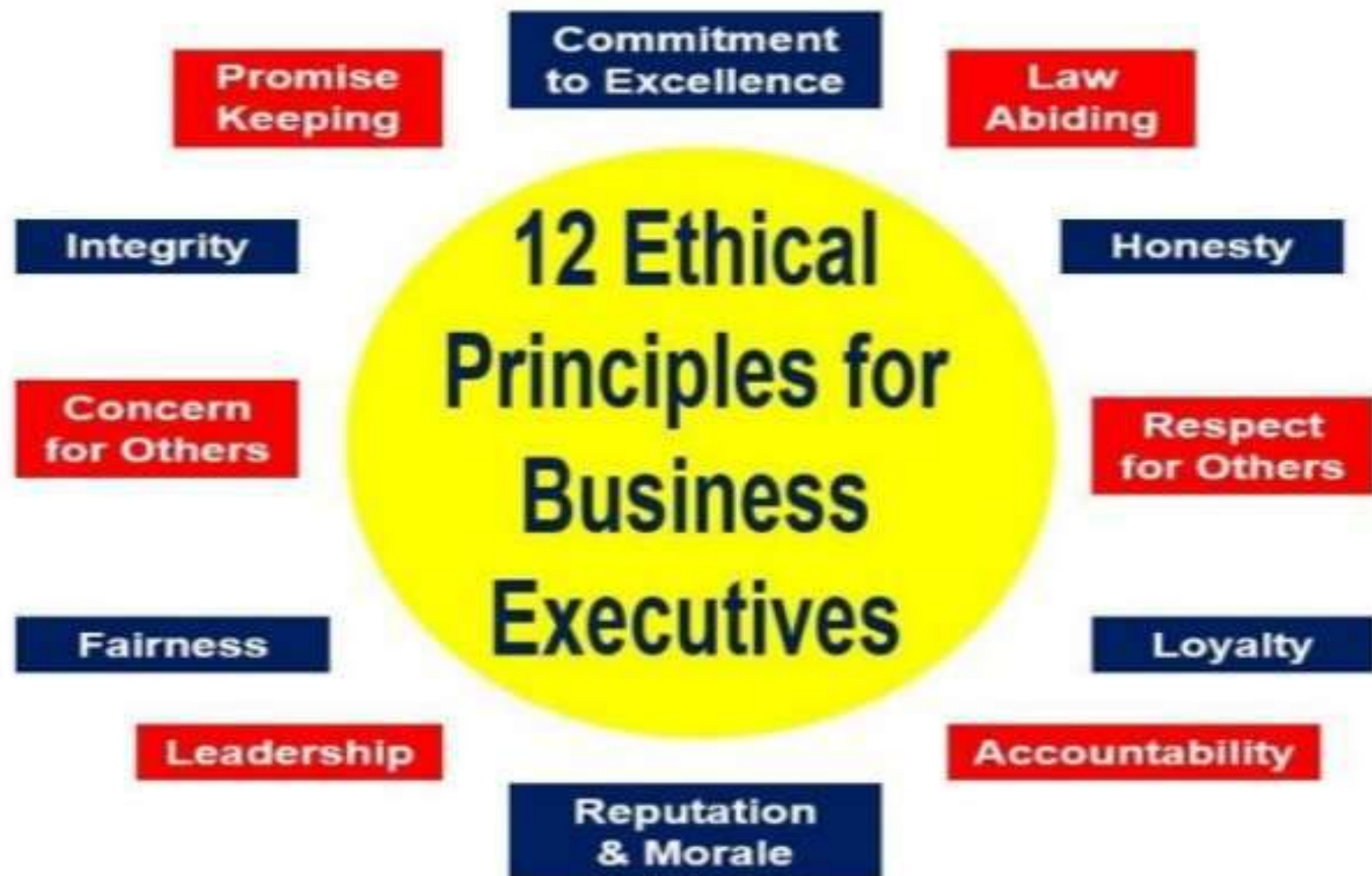
Concept of Ethical Principles

Ethical principles refers to the ethical values, which establish the desired levels of behavior that an individual / organization should or should not exhibit. In other words, ethical principles lay out the do's and don'ts for them.

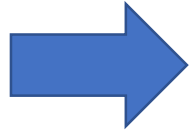
These principles provide guidance in resolving ethical issues .The important rules of business ethics are :

- 1. Fulfill expectations of the customers*
- 2. Prevent consumer exploitation*
- 3. Avoid profiteering*
- 4. Promote healthy competition*
- 5. Pay taxes on a regular basis*

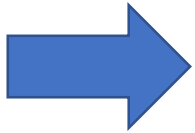
Principles of Business Ethics



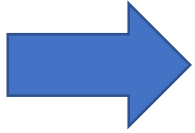
ELEMENTS OF PRINCIPLES OF BUSINESS ETHICS



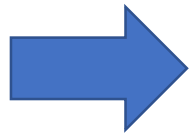
ETHICS



MORALE



BUSINESS ETHICS



ETHICAL DILEMMA

ethics

- moral principles that govern a person's behaviour or the conducting of an activity
- the branch of knowledge that deals with moral principles.
- fundamental principles of decent human conduct. It includes study of universal values such as the essential equality of all men and women, human or natural rights, obedience to the law of land, concern for health and safety and, increasingly, also for the natural environment.

**A MAN WITHOUT
ETHICS IS A WILD
BEAST LOOSED
UPON THIS WORLD.**



Albert Camus

French Nobel Prize winning author

(1913-1960)

QuoteHD.com
MANU@UNISEC.AU

Importance of Ethics

- There are Tangible Benefits on following Ethical Behaviour.
- Businesses are built on relationships with suppliers, customers, employees and other groups.
- The strength of these relationships is largely a function of the amount of trust the parties in each other.
- Unethical behaviour undermines trust and destroys relationships that ultimately affect the profitability of an organisation.

ETHICS Vs MORALITY

- **MORALITY**: from the Latin moralitas "manner, character, proper behavior", it is the conduct or rules that a person or community adhere to, believing these things to be, in some sense, obligatory. It gives us **rules for everyday life (morals= moral rules) and it is practical.**
- **ETHICS**: critical **reflection of "morals"**. Philosophical reflection about the nature of the good life, of right action, of duty and obligation. **It is theoretical.**

ETHICS	MORALITY
Philosophical and scientific study of morality → theoretical	Rules for everyday life → practical
It emerges from the inner being, as a result of her own reflection and election.	It has a social base, that is, established rules in a society
It makes influence in a person's conduct but from her own consciousness and will	It is a group of rules that act from the outside or from the unconscious, an external motivation of the human consciousness
It is the value that we discover inside us in our reflection as subjects, not imposed from the outside.	The legal, obligatory, coercive and punitive aspect is dominant
OBJECTIVE	SUBJECTIVE

EXAMPLES OF MORAL RULES IN SOCIETY

Tell the truth

- Do not vandalize property
- Have courage
- Keep your promises
- Do not cheat
- Treat others as you want to be treated
- Do not judge
- Respect others

Integrity Explained

- **Definition:** the quality of being honest and having strong moral principles; moral uprightness (characteristic)
 - Doing the right thing (even when no one is looking)
 - Being true to yourself and others
 - Words and actions are in line (you always follow through)



DIFFERENCE BETWEEN ETHICS & INTEGRITY

- Ethics can be defined as rules and regulations that have been formed which allow an individual to work in accordance to moral principles.
- Integrity can be defined as the quality of being honest and fair.
- Ethics are more external whereas integrity is internal.
- Ethics is not a choice whereas integrity is a personal choice.
- Ethics can be imposed on individuals, but integrity cannot be imposed on.

ETHICS & LAW

Law is a systematic set of universally accepted rules and regulations created by an appropriate authority such as government which may be local, regional or international. It is used to govern actions of individuals or members by imposing penalties for non-compliance.

ETHICS	LAWS
Ethics are rules of conduct.	Laws are rules developed by govt in order to protect its citizens.
Ethics does not carry any punishment to anyone who violates it.	The law will punish anyone who happens to violate it.
Ethics comes from within a person's moral values.	Laws are made with ethics as a guiding principle.

What is Business Ethics.....??

- Business ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment.
- Business ethics is a study of business situations, activities, and decisions where issue of right and wrong are addressed.
- The ethics of business is ethics of responsibility. The businessman must promise that he will not harm knowingly.

Ethics

Ethics in business
moral principles
rules and regulation
of right conduct rec
values that guide t

Business Ethics

• What is Business Ethics?

• Application of Ethical Principles to business

• It is Specialized study of moral rights or wrong

- What are the features of Business Ethics?
- Applied Ethics – what is good and what is bad for business
- Ethics is a study of morality as chemistry is the property of chemical substances.
- Ethics is a kind of investigation where as morality is a is the subject matter of investigation.
- Moral is a standard and ethics examines the standard.
- For Example Honesty is good and dishonesty is bad.

Need or Importance of Business Ethics

- 1 • Stop business malpractices
- 2 • Improve consumers confidence
- 3 • Survival of business
- 4 • Protecting consumers rights
- 5 • Protecting employees, shareholders, etc.
- 6 • Develops good relations between business and society
- 7 • Creates good image of business
- 8 • Smooth functioning of business
- 9 • Consumer movement
- 10 • Consumer satisfaction
- 11 • Importance of labour
- 12 • Healthy competition

Ethical Dilemma

- Ethical dilemma is moral situation where a choice has to be made between two equally undesirable alternatives.
- It is also known as moral dilemma.
- In these moral situations societal & personal ethical guidelines can provide no satisfactory outcome for solving dilemma.



FEATURES OF ETHICAL DILEMMA

1. *Right Choice*
2. *Sudden Occurrence*
3. *No linkage between two alternatives*
4. *Result is unique outcome*
5. *Uncertain Pressure*

Approaches of resolving E D

- Utilitarian – Greatest benefits for largest number of people
- Universalism – Rule based – Good intentions always result in good outcomes ultimately
- Care based approach – with those who are in official relationship
- Virtue Ethics – While performing any action he/she should develop virtues

Methods to resolve E D

1. Define the problem and recognize the moral issues.
2. Determine who will be affected by the decisions and your role
3. Collect information on how the problem occurred
4. Isolate illegal issues and separate right vs wrong
5. Make the tough choice - Truth vs Loyalty
 - Individual vs community
 - Short term vs long term
 - Justice vs mercy

WHY TATA..?



Examples of Unethical Business Practices

- ▶ **Satyam Scam:** Unethical behaviour by the director, Mr. Ramalinga Raju, the auditor PwC and SEBI
 - ▶ Overstated revenues and profits
 - ▶ Overstated debtors'
 - ▶ Understated liabilities
 - ▶ Paid salaries to non-existent employees – 53,000 in place of actual 40,000
- ▶ Serious questions regarding conflict of interest:
 - ▶ when promoter families become executive directors
 - ▶ when audit firms which are tasked to uncover any wrong doing, end up certifying worthless accounts
 - ▶ when otherwise competent Independent Directors are unable to live up to the expectations of those investors whose interest they are mandated to represent



'It was like riding a tiger, not knowing how to get off without being eaten'

Thank You