

# BUSINESS ETHICS





# ***MEANING***

Ethics is a set of rules that define right and wrong conduct.

Business ethics can be defined as written and unwritten codes of principles and values that govern decisions and actions within a company. In the business world, the organization's culture sets standards for determining the difference between good and bad decision making and behavior.

# Long termism in business

- Issues of corporate ethics have taken the form of short-termism vs. long-termism
- If businesses are focused on long term stability and growth, they are ethical:
  - Short term strategies, aimed at earning per share for the year in question, compromise on longer interests
- Warren Buffet has often stressed on long term strategies
- Investigations into Fannie Mae suggested that the entire senior management was intensively focused on earnings guidance
- Capital market orientation of companies force them to be tempted by short term targets:
  - Increasingly, the entire system of how companies are evaluated by analysts, investors and stock markets leads to a short term approach
  - McKinsey survey [March 2006] shows that companies are focused on short term strategies due to market pressures

# 3 Models of Management Ethics

## Three Types Of Management Ethics

Moral

Amoral

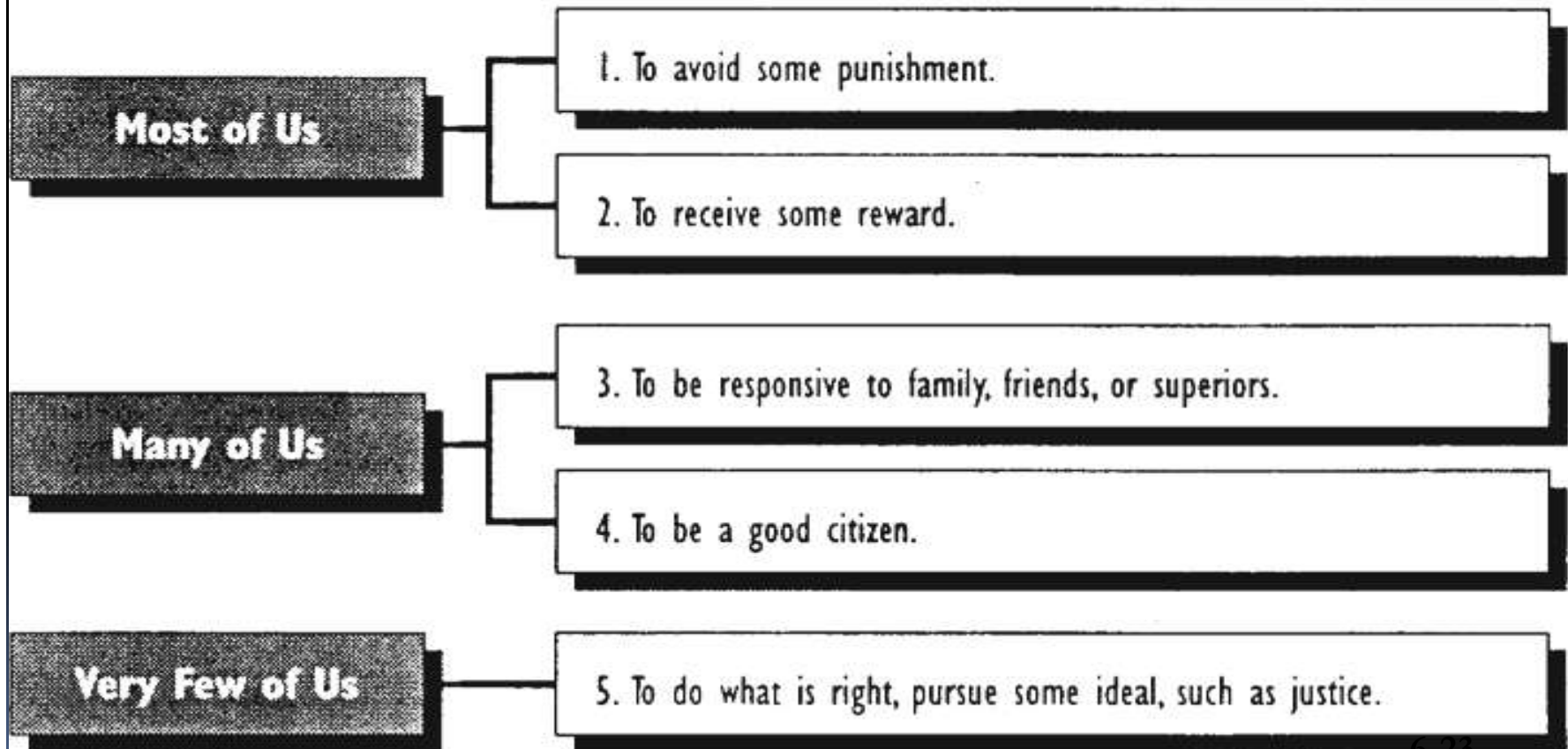
Immoral

# 3 Models of Management Ethics

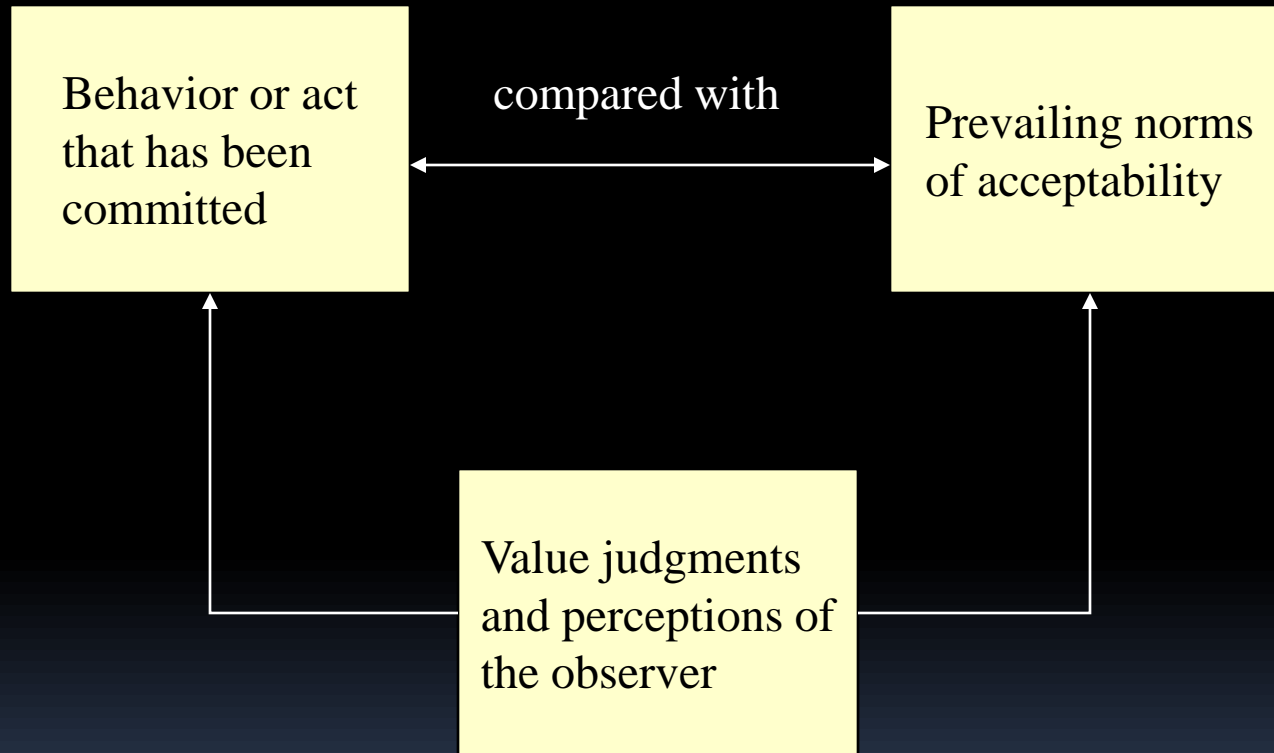
1. **Moral Management**—Conforms to high standards of ethical behavior.
2. **Immoral Management**—A style devoid of ethical principles and active opposition to what is ethical.
3. **Amoral Management**—
  - Intentional - does not consider ethical factors
  - Unintentional - casual or careless about ethical considerations in business

# Developing Moral Judgment

## WHY MANAGERS BEHAVE ETHICALLY




# Making Ethical Judgments





# Warren Buffet's rule of thumb for ethical conduct

- "...I want employees to ask themselves (when they are in doubt about whether a particular conduct is ethical or not) whether they are willing to have any contemplated act appear the next day on the front page of their local paper – to be read by their spouses, children and friends – with the reporting done by an informed and critical reporter." [Berkshire Hathaway's code of ethics]
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# Stakeholder Versus Shareholder

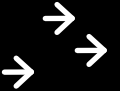
## Shareholder Perspective

- Those who approach ethical decision making from a shareholder perspective focus on making decisions that are in the owners' best interest. Decisions are guided by a need to maximize return on investment for the organization's shareholders.

## Stakeholder Perspective

- Stakeholders may include: employees, suppliers, customers, competitors, government agencies, the news media, community residents and others. The idea behind stakeholder based ethical decision making is to make sound business decisions that work for the good of all affected parties

# What is Ethical Behavior?



. In many situations lines between right and wrong are blurred. Such situations can lead to ethical dilemmas.


When faced with ethical dilemmas, it's important to consider outcomes of the decision-making process. One way of dealing with ethical dilemmas is by using the four way test to evaluate decisions. This test involves asking four questions:

- ✓ Is my decision a truthful one?
- ✓ Is my decision fair to everyone affected?
- ✓ Will it build goodwill for the organization?
- ✓ Is the decision beneficial to all parties who have a vested interest in the outcome?



# WHO IS RESPONSIBLE FOR CREATING ETHICS IN AN ORGANIZATION ?

A company's managers play an important role in establishing its ethical tone. If managers behave as if the only thing that matters is profit, employees are likely to act in a like manner. A company's leaders are responsible for setting standards for what is and is not acceptable employee behavior. It's vital for managers to play an active role in creating a working environment where employees are encouraged and rewarded for acting in an ethical manner.



# OTHER FACTORS IMPACTING ORGANIZATIONAL ETHICS


- Corporate culture
- Existence and application of a written code of ethics
- Formal and informal policies and rules
- Norms for acceptable behavior
- Financial reward system
- System for recognizing accomplishment
- Company attitude toward employees
- How employees are selected for promotions
- Hiring practices
- Applications of legal behavior
- Degree to which professionalism is emphasized
- The company's decision making processes
- Behaviors and attitudes of the organization's leaders

# *7 Principles of Admirable Business Ethics*

- **1. Be Trustful**
- **2. Keep An Open Mind**
- **3. Meet Obligations**
- **4. Have Clear Documents**
- **5. Become Community Involved**
- **6. Maintain Accounting Control**
- **7. Be Respectful**




# *Overview of issues in business ethics*

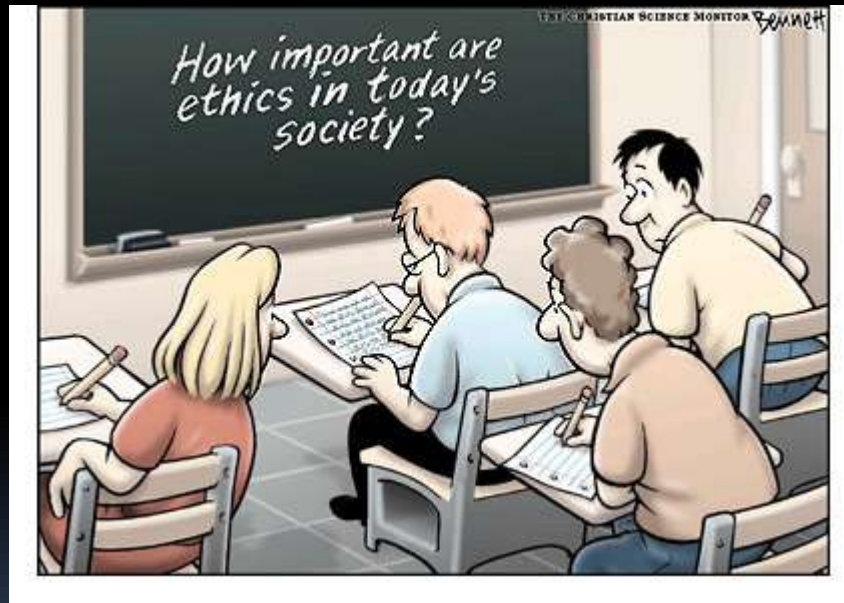
- Corporate social responsibility
  - fiduciary responsibility,  
stakeholder concept v.  
shareholder concept
  - industrial espionage.
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# ***General business ethics***


- Ethics of human resource management
  - Ethics of sales and marketing
  - Ethics of production
  - Ethics of intellectual property, knowledge and skills
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# ***IMPORTANCE OF ETHICS***





# IMPORTANCE OF BUSINESS ETHICS

- ✓ Public expects business to exhibit high levels of ethical performance and social responsibility.
  - ✓ Encouraging business firms and their employees to behave ethically is to prevent harm to society.
  - ✓ Promoting ethical behavior is to protect business from abuse by unethical employees or unethical competitors.
  - ✓ High ethical performance also protects the individuals who work in business.
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# *Coke & Pepsi in India*

Today, more from the world of product safety. This time the story is about Coke and Pepsi, and allegations that the versions of their products manufactured in India contain unacceptably high levels of pesticides.

world's biggest brand names, known for wooing customers around the world, are facing a credibility crisis in one of their crucial emerging markets.





# RELIGIOUS VIEWS ON BUSINESS ETHICS

# SWAMI VIVEKANAND VIEWS ON ETHICS

- THE BASIS OF INDIAN SUBJECTIVITY LIES IN THE BELIEF OF GOD.
- HE SUGGESTED THE FUNDAMENTAL LAW OF ETHICS
- “DON’T INJURE OTHERS, LOVE EVERYONE AS YOUR OWNSELF UNIVERSE IS ONE”

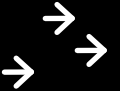




In order to win the game, you need to plan. To plan information is imperative. Get it through legal & ethical means. In life and business, ethical standard must be set,

ETHICAL STANDARD MUST BE SET,  
ETHICAL STANDARD MUST BE MET.

## CONCLUSION



Ethics are important not only in business but in all aspects of life because it is an essential part of the foundation on which a civilized society is built. A business or society that lacks ethical principles is bound to fail sooner or later.