

# Institute of Open and Distance Education

Faculty of Management

## Business Ethics & CSR

Business ethics & CSR



**1MBA8**



**Dr. C.V. Raman University**  
Kargi Road, Kota, BILASPUR, (C. G.),  
Ph. : +07753-253801, +07753-253872  
E-mail : [info@cvru.ac.in](mailto:info@cvru.ac.in) | Website : [www.cvru.ac.in](http://www.cvru.ac.in)



**DR. C.V. RAMAN UNIVERSITY**

**Chhattisgarh, Bilaspur**

A STATUTORY UNIVERSITY UNDER SECTION 2(F) OF THE UGC ACT

**1MBA8**

**Business Ethics & CSR**

© 2010 Pearson Education, Inc.

1MBA8, Business ethics & CSR

Edition: March 2024

Compiled, reviewed and edited by Subject Expert team of University

1. Dr. Vivek Bajpai

(Professor, Dr. C. V. Raman University)

2. Dr. Rahul Sharma

(Associate Professor, Dr. C. V. Raman University)

3. Dr. Preeti Shukla

(Associate Professor, Dr. C. V. Raman University)

Warning:

All rights reserved, No part of this publication may be reproduced or transmitted or utilized or stored in any form or by any means now known or hereinafter invented, electronic, digital or mechanical, including photocopying, scanning, recording or by any information storage or retrieval system, without prior written permission from the publisher.

Published by:

Dr. C.V. Raman University

Kargi Road, Kota, BILASPUR, (C. G.),

Ph. +07753-253801, 07753-253872

E-mail: info@cvru.ac.in

Website: [www.cvru.ac.in](http://www.cvru.ac.in)

# CONTENTS

		<b>Page No.</b>
<b>Unit 1</b>	Business Ethics	1
<b>Unit 2</b>	Philosophical Foundation of Ethics	21
<b>Unit 3</b>	Business and Society	45
<b>Unit 4</b>	Values and Work	63
<b>Unit 5</b>	Ethics at Work Place	85
<b>Unit 6</b>	Ethics and Corporate Culture	117
<b>Unit 7</b>	Social and Economic Issues	141





# Business Ethics

UNIT

1

## UNIT STRUCTURE

- Introduction
- Concept of Business Ethics
- Overview of Business Ethics
- Factors affecting Business Ethics
- Objectives of Business Ethics
- Source of Business Ethics
- Morality and Etiquette
- Morality and Religion
- Morality and Law
- Moral Duty, Right and Obligation
- Theory of Distributive Justice
- Business Ethics in Practice
- Attitude of Indian Managers towards Business Ethics
- Summary
- Terminal Exercise
- Supplementary Materials
- Assignment
- Reference Books
- Learning Activity
- Keywords

## OBJECTIVES

*After studying this unit, you will be able to understand about:*

- ❖ The concept of business ethics and the factors affecting the business ethics
- ❖ Morality and etiquette and the related theories
- ❖ The current business ethics in practice and the attitude of the managers.

## Introduction

The word 'ethics' has originated either from the Latin word "Ethicus" or the Greek word "Ethicos". Both these words originated from the word "ethos" which means character. Ethics is a system of moral principles, rules and conduct. As a science of moral principles, ethics gives guidelines such as "what is right?" and "what is wrong?"

*Notes*

Ethical problems are faced by people in all the countries and at all times. In all organisations, family business and religions, situations arise that demand right decisions. Centuries ago, Duryodhana said in the Mahabharata: "I know what is right but I am not able to act accordingly, I also know what is wrong but I am not able to restrain myself doing it".

The famous Indian philosopher Kautilya says, "We are shaped by our thoughts. We become what we think, when the mind is pure, joy follows like a shadow that never leaves".

Ethics can be described as philosophy in action. Business ethics is a branch of ethics dealing with application of ethical principles in business. The human beings have freedom of action to communicate good or bad to the world. While good acts are performed, people are happy and period of good activity is called the golden era.

Ethics encourages constructive actions. There are three types of constructive actions in business:

1. Certain obligatory actions to be performed by every individual, such as good quality products, fair price and customer care; the non-performance of these activities bring disgrace.
2. Certain activities are to be prohibited such as false weighing, inferior quality and high prices.
3. Certain other actions, called optional actions bring goodness and welfare to all. For example, handling a grievance of a customer is an optional activity.

Tamil poet Tiruvalluvar says, "When prosperity comes to a good man from a good family, it is like village tank being filled with water, it helps everyone". Indian philosophers strongly believe that ethical action is the supreme governing force of the universe. The world survives because of ethical action. As for as ethical values and deeds are concerned, they are more or less instinctive in humans rather than acquired, but in modern days, ethical training has become a necessity due to various reasons.

The level of ethical action in a society depends on the goodwill and maturity of the society. Higher the level of ethical action, grater is the status of the society. The purpose of ethical action is to welcome the good and the avoidance of bad, "Service to man is the service to God" is a sound and wise principle, Indian tradition "Sarve Janaahaa Sukhino Bhavantu" (let all the people be happy) is very much relevant in these days of globalisation.

## Concept of Business Ethics

Ethics is concerned with the discipline of the right and wrong conduct of individuals. More especially, in modern times, problems in business are more often concerned with terms such as 'fair price', 'right product' and proper quality. Ethical issues in business often arise leading to dilemmas, paradoxes and baffling situations. It is, therefore, necessary to understand the ethical principles that pervade human behaviour. It is pertinent to study the role of ethics in corporate organizations.

According to Webster's collegiate thesaurus, the word 'ethics' can be defined as:

1. The code of conduct governing an individual or a group.
2. The discipline dealing with good and bad and with moral duty and obligation.
3. The complex of ideals, beliefs or standards that characterizes a group, community or people.
4. A group of moral principles or set of values.

Ethics and morality are terms that are used more or less interchangeably. However, there is some difference between the two terms. Ethics are concerned with actions that are proper or improper, conduct that is right or wrong, decisions that are fair or unfair. Morality varies from individual to individual because the values and cultural traits of individuals may differ. Further, what is moral according to one person may be immoral according to another. Moral standards, therefore, cannot be considered as ethical standards in certain contexts. Generally, what is moral or immoral depends more on religious tenets of various groups of persons in the world. However, ethical standards may be common to all major religions.

Ethical issues that arise in management are concerned with issues such as right and wrong behaviour towards other people, proper and improper actions and fair and unfair decisions. Ethical and other moral standards are based on consistent beliefs and codes of human conduct. Further, these issues extend far beyond the commonly discussed problems of bribery, collusion, forgery, impersonation, thefts and reaching into many areas such as marketing policies, capital investments, corporate mergers and acquisitions.

Various groups are involved in business – managers at different levels and having various functions, workers of different skills and backgrounds, suppliers of different materials, distributors of different products, creditors of different types, stockholders of different holdings and citizens of different communities, states and countries – and a benefit for one may be denial of an obligation to another group. Ethical problems bring about conflicts between an organization's economic performance as measured by revenues, costs and profit and its social performance stated in terms of obligations to persons both within and outside the organization. These obligations comprise: protection to loyal employees, maintaining competitive and healthy markets and producing useful and safe products and services.

Honesty and kindness are dominant principles in ethics and in morality, as well in all major religions. If a society has to function within the framework of laws, social order and freedom, then ethics and democracy become meaningful. Crime, hypocrisy, dishonesty and destructive anti-social behaviour are all unethical tendencies that every person of good conduct and moral behaviour would detest. Religion in the wider context does not merely restrict itself to prayer and piety. On the other hand, it implies good ethical human behaviour that is governed by ethical principles that enhance life in the individual, society and business. A good society alone can encourage people to love their neighbours and make their living decent and profitable in a world of competition and strife. An ethical businessman has to provide goods of quality and proper services with all humility to the community. Ethics has to underline principles such as: (a) Not to harm others. (b) To benefit others.

## Overview of Business Ethics

Business ethics manifests the philosophy of business. Ethical issues encompass the rights and duties between a company and its employees, suppliers, customers and neighbours. While the business ethics discipline has matured over the past several decades, a number of issues concerning best approaches continue to be debated.

- Each and every person is individually responsible for the ethical or unethical decisions. The way in which the person is brought up, the values learnt and the working atmosphere decides the ethical standards of people. Many times, uneducated people are more ethical than the so-called educated people.
- Ethical decisions are voluntary in nature and people have the freedom of choice and free-will. The conscience of people may vary from time and place to place. The freedom of choice is left to the individual to follow a good practice or not. It is



*Notes*

the free-will that makes the successful implementation of ethical standards and practices.

- Ethical decisions differ from person to person, time to time and place to place. Due to socio-economic changes, the ethical decisions also change. What was considered as good at one time is considered bad at another point of time. Many decades ago, the customer care was not given prominence. In the modern age, customer care is given utmost importance.
- Ethical decisions affect in a widespread way. Ethical decisions affect all the stakeholders like shareholders, employees and customers. These ethical decisions spread to other business firms across the region, nation and even the globe.
- Ethical decisions involve a trade-off between the cost and benefits received. Some ethical decisions may be costly in the short-run but these decisions may bring good benefits in the long-run. For example, social responsibility of business brings a lot of benefits to the business firms in the long-run.
- The effects of ethical decisions cannot be predicted. Ethical decisions are made by taking into account certain variables like the growth of population, prevailing business and present attitudes. In course of time, these variables are bound to change. For example, disclosure norms like disclosure of many business results are accepted as good business practices in modern days. These ideas were not encouraged in traditional times.
- The lower level managers are pressurised to compromise their ethical standards. In fact, many young people join the business organisations with great ideals and ethical standards. Unfortunately, in course of time, their standards are diluted due to pressures from different sides. Unfortunately, they fall in line with others.
- In most organisations, people experience ethical dilemmas. Dilemma means choice between two options. When values are in conflict, an ethical examination can help the managers. Deadlines, sales goals, career advancement and lack of information are the risks of ethical conduct. These risks have to be managed effectively.
- In fact, ethics has to be taught to the managers at the corporate doors. The managers should be given opportunities for analysing the various real or hypothetical situations. Apart from increasing sensitivity to moral issues, it will build moral courage also. This ethical training will boost the moral climate of the firm. The managers should be trained to follow some quick ethical tests, like the following.
  - ◆ Is it right?
  - ◆ Is it fair?
  - ◆ Who gets the benefit?
  - ◆ Who gets hurt?
  - ◆ What will you feel about this decision after five years?
- Ethics have to be imparted from a very early age both at home and in schools. The values have to be built with education. Importance has to be given to both the means and ends. The managers should be trained to get more feedback before acting or deciding.

## Factors affecting Business Ethics

*Notes*

A variety of factors are responsible for the operation of business ethics:

1. **Leadership:** Business is all about the interaction of customers, suppliers, employees, financiers and managers. Greater the effectiveness of interaction, higher is success of business. An effective leadership is very much required for the success of business.

Bill George says, "There is no conflict between serving all your stockholders and providing excellent returns for stockholders. In the long-term, it is impossible to have one without the other. However, serving all these stockholders groups requires discipline, vision and committed leadership." If a leader is strong and follows good skills, he will attain success in his goals.

A value-based leader can lead others on the basis of sound values and effective processes. The ethical leader frames actions in ethical terms. According to the ethical leader, leadership is a fully ethical task.

For example, Johnson and Johnson responded to the Tylenol incident after it held a series of challenge meetings all round the world.

Above all, the ethical leaders search best people and develop them.

2. **Strategy and Performance:** Ethics is closely related to the strategy followed by the business organizations. An ideal strategy should not be limited to generating revenue only. It should take into account the ethical values engendered by the proposed decisions.

Corporate governance is the formal system of accountability and control of ethical organisational decisions involving the use of resources. Business ethics and accountability are given a reasonable importance in the board of directors meetings. Accountability for organisational decisions begins with a strategic mission and vision.

An effective board of directors serves as a type of insurance against the business cycle and fluctuations of the economy. Many investors believe in the stockholder model of corporate governance. A stockholder model follows a strategy of social investing in terms of which social and ethical criteria are integrated in investment decisions.

3. **Environment:** Business ethics is also influenced by the type of environment in which a business organisation is situated. There are two aspects of environment, namely external and internal. Internal environment refers to all aspects like vision, mission, power structure and other related matters. External environment refers to elements which are outside the organisation like government policy, monetary policy, fiscal policy, general economic conditions and labour standards. These factors influence business ethical practices.
4. **Corporate Culture:** The corporate culture varies from company and time to time. It all depends on the nature of leader; the competition should be healthy, based on fair rules. A good corporate culture should take care of the interests of all the stockholders. It should take care of the customers and employees.

Culture is a body of learnt beliefs, traditions and guides for behavior among the members of an organisation. Corporate culture includes norms, physical settings, modes of dress, special language, rituals, heroes and stories.

Notes

Organisational culture may be strong or weak. In a strong culture, the standards and guidelines are known and shared by all. It is providing the behaviour of all on a day-to-day basis.

Corporations are paying attention to ethical programmes. An ethical programme consists of the rules and policies of an organisation by motivating ethical performance. Rules and policies are framed for orientation, training, compensation, promotion and auditing.

5. **Individual Characteristics:** The individual characteristics influence the ethical behavior. Many ethical issues are related to individuals. For example, sexual harassment is an individual matter, the individuals may differ in their characteristics from one extreme to the other with regard to ethics. There are many in between these two extremes.

## Objectives of Business Ethics

---

Peter Pringle has given a two-fold objective of business ethics in his book, *The Essence of Business Ethics*, (Prentice Hall of India, 1995).

- Evaluation of human practices with reference to certain moral standards in business world. It is the analysis of the situation.
- Offering prescriptive advice on how to act morally in a specified kind of situation. It is the normative aspect of business ethics offering creative advice.

## Source of Business Ethics

---

The following are the important sources of ethics, in general, and business ethics, in particular.

### ❖ Religion

All the religions of the world insist on ethical conduct and behaviour. Business people get guidance and inspirations from their respective religions. In modern days, religion is interpreted in terms of modern socio-economic problems. Prominent religious texts are the Bible, Bhagawad Gita and Quran.

Religion strongly believes that God has created the world. Naturally, God gives the world, a final purpose or goal. The beings on earth have a goal or purpose ordained by God. Since the world has come from God and aiming towards God, the world has been good with positive values.

Religion says that evil is a part of life and we have to avoid it. Religion stresses on harmony, beauty, peace of mind, wealth, health and success. Religious morality guides an individual back into a state of harmony with all that surrounds the individual. Religion stresses on the important harmonies, namely, natural, human, and supernatural harmony and suggests ecological balances and reduction of pollution rates. It also encourages sustainable practices in business and production. Human harmony refers to better understanding among the business firms rather than domination of one over the others.

If harmony is achieved at the natural and human levels, naturally supernatural harmony can take place with the blessing of God. Religion advocates the maintenance of orderliness and the avoidance of excessiveness. Too much of production leads to glut and too much of consumption creates imbalances in the society. Rituals are intended to establish harmony with God. These rituals promote better relationship and make us understand the spiritual significance also.

Islam suggests three canonical elements, namely, faith (Imam), practice (Islam) and virtue (Ihsan). Religion covers all the areas of human behaviour like what is required, permitted, discouraged and forbidden. In modern days, religion shows compassion to other religions and considers the welfare of humanity.

Buddhism discourages too much desire and its natural results of unlimited suffering. It states that suffering arises from a discrepancy between desire and actuality. Buddhism has suggested an Eight-fold path which can be incorporated in any scheme of business operations. These are right views, right intention, right speech, right action, right livelihood, right effort, right mindfulness and right concentration. Mahayana Buddhism stresses on ethics of comparison for all living things, which forms two bases of social society, measures and social responsibility of business.

### ❖ Cultural Experience

Culture refers to a system of learnt values and norms shared among a group of people. Culture constitutes a design for living.

Values refer to abstract ideas about the good, the right and desirable.

Norms indicate the social rules and guidelines which determine appropriate behavior in specific situations.

Mores are the norms central to functioning of social life. Violating mores bring serious retribution.

There are various determinants of culture namely economic philosophy, political philosophy, social structure, religion, language and education.

If the social structure is well-organised, the cultural standards are high. High mobility can promote better culture. If language promotes communication, the culture is bound to be progressive.

Basic values are developed only from culture. The cultural norms and values promote ethical business practices. Morals are extended to business too. Fair practices such as fairprice, consumer care and after sales service are the results of positive cultural experience.

In the context of globalisation, business firms are interested in the basic values of human enrichment to protect the interest of various stockholders.

### ❖ Philosophical System

Philosophy is the study of nature and meaning of existence. A philosopher is a person whose mind is not troubled by passions and hardships. He lets reason govern his life. Old Epicurean philosophy taught that pleasure was a good thing; later on the philosophers of both the East and West opposed this view and strongly suggested that one should be indifferent to pleasure or pain.

Opinion polls place business people in lower esteem than politicians. More than 60 percent of people feel that recognition of corporations is necessary to protect the public. Investors are obsessed with the lies, greed and accounting. Scandals have engulfed big and small companies, eroded the markets and confidence of the investors. Because of frauds, an organisation on an average loses ₹ 500 per day.

Philosophy is not a mere anti-business sentiment. Philosophy gives guidelines and frames the scope of ethical activities. Modern philosophy suggests integrity. Integrity suggests



*Notes*

soundness, principles and honesty. That is why, business ethics stresses the importance of transparency, accountability and responsibility.

The days of mere natural philosophy have come to an end. In the same way, mere immaterial philosophy can't deliver the goods. A golden combination of both material and immaterial aspects of philosophy is practical, tactical and relevant.

All human activities have well-defined rules and regulations, these rules and regulations have been framed by philosophical system. Philosophy deals with the most basic beliefs, concepts and attitudes of an individual or group. Business philosophy is about bettering the lives of all stockholders through empowerment and better business transactions. Our knowledge is shaped by our attitudes. Optimists live in hope and believe that business can provide good solutions to the problems of people. Pessimists live in fear and expect the worst future scenarios.

An ethical guideline has been given by Mark Twain – “Do what is right. You will please some people and you will astonish the rest.”

If there has to be a choice between reputation and income, it is better to protect the reputation.

### ❖ Legal System

The legal system of a country is also a source of business ethics. The legal system includes the constitution, prevailing laws and judiciary. If the legal system is alert, the unethical practices are discouraged. The legal system of country provides the guidelines for business related to location, production, conditions of employment, pricing and consumer care. For example, The Competition Act, 2002 prohibits anti-competitive measures and encourages the growth of competition. It has established the Competition Commission of India, which can enquire into any violation of the provisions of the Act.

This Act has provided the major criteria to decide whether an enterprise commands a dominant position in the market:

- The size of the market
- The competitors
- Monopoly position
- Barriers to entry
- Social obligation and costs.

The legal system is protecting the interests of its stockholders. The social and natural environment have to be taken care of. The rights of the consumers have to be protected.

Consumer rights include

- Right to protection
- Right to information
- Right to assurance
- Right to be heard
- Right to redressal.

### **Morality and Etiquette**

By definition, Etiquette means the rules and conventions governing correct or polite behavior used in society, in a particular social or professional group setting.

Notes

- Understanding overall business decorum
- Treating others with respect and being courteous
- Being comfortable around people
- Making people comfortable around you
- Presenting yourself with the kind of paragon that shows you can be taken seriously.

## Morality and Religion

Morality is a great human characteristic that can be deemed as an ability and willingness to stick to upright, good conduct and behaviour and perform action in a righteous manner. Religion is the ability of an individual to understand the innate divine nature of the human self that can realise its potential to reach the "Higher Self". This is also known as the spiritual quest. Morality and religion comprise the greatest of all human treasures. It is through these guiding measures that a human being can understand the process of transformation from humanity to divinity. Great sages, seers, saints, mahatmas and holy men have emphasised the practice of these two virtues in every human being as a means of attaining divinity.

Human society can adopt principles of morality and adopt spiritual needs towards the attainment of moral goods of life. Human society needs proper governance to avoid chaos and misery. In ancient India, the four orders of human beings were classified as Brahmanas, Kshatriyas, Vaishyas and Sudras, mainly for the purpose of good governance in accordance with their natural and occupational aptitudes. At present, all humanity from a moral angle is not heterogeneous but homogeneous. If spirit is one and all is divine, then the different bodies possessing the same spirit cannot be different. But the minds of individuals being different, it is necessary to lay down rules of conduct and moral behaviour. Law and order alone can support and justify proper principles of human morality. The progress of civilization becomes a meaningless mockery if human beings act with diabolical and devilish mentalities opposing ethical norms of life and living.

For the promotion of morality, human conduct needs the exercise of discretion and understanding of wisdom, the philosophy of Hinduism in India spiritualises human existence through spiritual awakening and wisdom. The great saints and sages through their spiritual and divine powers experienced the eternal truth and recorded their experiences and wisdom for the benefit of posterity. These records constitute the four Vedas. The Hindu scriptures consist of (i) *Srutis*, (ii) *Smritis*, (iii) *Itihasas*, (iv) *Puranas* (v) *Agamas* and (vi) *Darshanas*. To practice morality and religion and to guide oneself towards the goal of divinity, it is necessary to overcome the enemies such as lust, anger, greed, attachment, ego and hatred, and embrace virtues such as truth, righteousness, peace, love and non-violence. Harmonious conditions of human existence can alone promote ethical functioning for the good and welfare of oneself and all living creatures.

The word 'religion' is derived from the two Latin words: 'Re' and 'Ligare'. 'Re' means 'again' and 'Ligare' means 'to join'. Thus, religion means to join and go back to that from which a person has separated. There are three main aspects which characterize all religions. These are mythology, rituals and philosophy. Rituals and mythology differ from religion to religion even though philosophy remains the same. The tenets of philosophy include the following:

1. All religions accept the fact that there is an ultimate reality.
2. This reality is called by various names in various religions. According to Hinduism it is 'Narayana', according to Christianity it is 'Father in Heaven', and according to Islam, it is 'Allah'.

3. The mission of a human being is to attain this reality and to strive towards that goal by prayer and worship.

### Notes

The necessity and motive for seeking this reality is to obtain absolute happiness, or bliss (*ananda*) this absolute happiness is obtained when the individual self merges with the "Universal Self".

In the earthly world, desires dominate the individual and give rise to miseries, because the individual's life becomes dominated by material objects and goals. He, therefore, becomes dejected, depressed and is always tense, nervous and sad, since his goals themselves are shallow, transient and give only temporary satisfaction. All religions, therefore, suggest the same philosophy—that desires should be overcome through prayer and love. Each religion lays down different principles for salvation. According to Hinduism and *Bhagwad Gita*, the recommended spiritual courses consist of *Gnana Yoga* for the intellectuals, *Bhakti Yoga* for the emotional, *Karma Yoga* for all those involved in performing various actions and are active. *Hatha Yoga* is prescribed for the indolent. The practice of *Yogas* bring about a proper control on desires and in this respect different religions preach in various forms and in various proportions, the substance contained in these *Yogas*.

The centre of all the religions is God; all religions exhort their adherents to worship God all the paths of all religions converge towards this Centre. All religions admit that the body perishes, but the eternal light continues in the form of the soul. All religions profess that the realisation of God is through the soul and love. Hence, religious methods, creeds, rituals, ideas may differ but no religion is above the universal, eternal truth or infinity.

India is a secular country which does not mean that it is against religion. The following are the interpretations of secularism:

- The original western sense, as separation of state and religion;
- The impartiality of state arbitration between competing religions;
- A belief system opposed to religion, and
- Equal recognition to all religions.

The second and fourth definitions are unique to India's socio-historical context. According to Mahatma Gandhi, it is necessary that we need to keep our windows open to winds from other climes and cultures but not to be swept off our feet. Hence, secular India is open to both tradition and modernity.

## Morality and Law

Law, unlike morality, is prepared by someone. So it may, unlike morality, have aims, which are the aims of its makers (either individually or collectively). Not all laws have aims. All law-making is not intentional. Customary law is prepared by convergent actions that are performed without the intention of making law, and so without any additional intention to achieve anything by making law, i.e. without any aim. There are also some other modes of accidental law-making. However for the time being we will focus on law that is purposely made and therefore, is capable of having aims.

It has been opined by several that law must have certain distinctive moral aims. If it lacks those aims it is not law. It must aim to be just (Postema 1996: 80), or aim to serve the common good (Finnis 1980: 276), or aim to justify coercion (Dworkin 1986: 93), or aim to be in some other way morally binding or morally successful. However, some intentional law-makers have no moral aims. They are entirely pessimistic. They use law-making merely as an instrument of profit, retaliation, or consolidation of power.

Sure, one may still attribute moral aims to law prepared by such people if it is intentionally developed or adapted by consequent officials with moral aims. Later judges,

for instance, may interpret a law as having a moral aim, and thereby provide it with one, even when it lacked one at inception. But judges too may, on occasions, be completely cynical. Whole legal systems may, certainly, be run by cartels of self-serving officials for whom the system is primarily an elaborate extortion racket or a huge joke. In identifying the claims of law, the place to begin is with the language that legal officials use. In setting out or explaining legal norms, officials cannot but make use of the language of obligations, rights, permissions, powers, liabilities and so on. What they thereby claim is that the law imposes obligations, creates rights, grants permissions, and confers powers, gives rise to liabilities, and so on.

A legal obligation or right or permission is none other than an obligation or right or permission that exists consistent with law, and an obligation or right or permission that exists according to law is none other than an obligation or right or permission, the existence of which law claims. So claiming the continuation of a legal obligation is simply claiming the existence of what law claims to be an obligation. It is a second-order claim. Officials (and lawyers and legal commentators and so on) have abundance of reasons and occasions to make such second-order claims, but when they do it they are reporting law's claims, not making them. On pain of emptiness or infinite regress, we still need to attribute to law itself a suitable first-order claim. Legal obligations are claimed to be something, but what are they claimed to be? This is where the idea that law makes a moral claim comes in. 'Moral', in this context, is the name given to the type of obligation that legal obligations are claimed by law to be. Legal obligations are claimed to be obligations that are not purely claimed, and hence, that are not merely legal.

## **Moral Duty, Right and Obligation**

---

### **❖ Moral Duty**

Duty binds us mutually in a shared, communal, response against the argument for a selfish evolution that benefits the whole as a movement of joining without prosecuting the fewer fortunate. When we demand Duty as the essential force in our relationships – instead of Love and Happiness – we begin to form the eternal core of a moral kinship that can survive the required betrayal of fluctuations in the hate and anger dyad.

Love and Happiness are fleeting emotions requiring the cooperation of others to find purchase. Duty is a private, unbiased, state-of-mind. Duty is doing the right thing at all times; Duty never needs the cooperation of others because when you are Dutiful, you are already serving those further than the public self.

When we contemplate divorce against marriage, fighting instead of living in peace, and killing over life, it is Duty that pulls us back from destruction. It is Duty that proves conscience. It is Duty that pauses our mistakes and paves the path to correction.

To give oneself over to the inconsistent moods of emotional states, and not to the grand moral imperative of Duty, is precisely how we fall short into despair from which we cannot run away alone.

### **❖ Moral Right**

The term "moral rights" is a conversion of the French term "droit moral," and refers not to "morals" as advocated by the religious right, but rather to the aptitude of authors to control the eventual fate of their works. An author is said to have the "moral right" to control her work. The impression of moral rights thus, relies on the connection between an author and her creation. Moral rights protect the personal and reputational, rather than merely monetary, value of a work to its creator.



*Notes*

## ❖ Moral Obligation

A duty is an obligation to act in a convinced way. When the obligation is based on moral and ethical considerations, it is a moral duty. Often we think about moral duties in terms of rules that hold down us, the “don’ts,” as in don’t lie, cheat, or steal. Such rules comprise the so-called negative dimension of moral duty because they tell us what not to do. Since ethics is concerned with the way we ought to be, on the other hand, it also includes an affirmative dimension consisting of things we should do — keep promises, judge others fairly, treat people with admiration, kindness and compassion.

## Theory of Distributive Justice

---

Principles of distributive justice are normative principles designed to conduct the allocation of the benefits and burdens of economic activity.

The first relatively simple principle of distributive justice is strict egalitarianism. It advocates the allocation of equal material goods to all members of society. Another alternative distributive principle is one given by John Rawls’ which he calls the Difference Principle. The Difference Principle allows allocation that does not conform to strict equality so long as the inequality has the effect that the least advantaged in society are materially better off than they would be under strict equality. However, some have thought that Rawls’ Difference Principle is not sensitive to the responsibility people have for their economic choices. Resource-based distributive principles, and principles based on what people justify because of their work, endeavor to incorporate this idea of economic responsibility.

Advocates of Welfare-based principles do not consider that primary distributive concern should be material goods and services. They argue that material goods and services have no intrinsic value and are valuable only in so far as they increase welfare. Hence, they argue that the distributive principles should be designed and charged according to how they affect welfare. Advocates of Libertarian principles, on the other hand, generally criticize any patterned distributive ideal, whether it is welfare or material goods that are the subjects of the pattern. They normally argue that such distributive principles conflict with more important moral demands such as those of liberty or respecting self-ownership. Finally, feminist critiques of existing distributive principles note that they tend to ignore the particular circumstances of women, particularly the fact that women often have primary responsibility for child-rearing. Some feminists therefore, are developing and/or modifying distributive principles to make them sensitive to the circumstances of women and to the fact that, on average, women spend less of their lifetimes in the market economy than men.

## ❖ Utilitarian, Libertarian, John Rawl’s Theory of Justice

Most contemporary versions of the principles discussed so far permit some role for the market as a means of achieving the desired distributive pattern — the Difference Principle uses it as a means of helping the slightest advantaged; utilitarian principles normally use it as a means of achieving the distributive pattern maximizing utility; desert-based principles rely on it to distribute goods consistent with desert, etc. In contrast, advocates of Libertarian distributive principles rarely see the market as a means to some desired pattern, since the principle(s) they advocate do not ostensibly propose a ‘pattern’ at all, but instead describe the sorts of acquisitions or exchanges which are themselves just. The market will be just, not as a means to some pattern, but insofar as the exchanges permitted in the market satisfy the conditions of just exchange described by the principles. For Libertarians, just outcomes are those arrived at by the separate just actions of individuals; a particular distributive pattern is not required for justice. Robert Nozick

has advanced this version of Libertarianism, and is its most well-known contemporary advocate.

Nozick proposes a 3-part "Entitlement Theory".

*Notes*

If the world were wholly just, the following inductive definition would exhaustively cover the subject of justice in holdings:

- A person who acquires a holding in accordance with the principle of justice in acquisition is entitled to that holding.
- A person who acquires a holding in accordance with the principle of justice in transfer, from someone else entitled to the holding, is entitled to the holding.
- No one is entitled to a holding except by (repeated) applications of (a) and (b).

The complete principle of distributive justice would say simply that a distribution is just if everyone is entitled to the holdings they possess under the distribution (Nozick, p.151).

The statement of the entitlement theory includes reference to the principles of justice in acquisition and transfer. (For details of these principles see Nozick, pp.149-182). The principle of justice in transfer is the least controversial and is designed to specify fair contracts while ruling out stealing, fraud, etc. The principle of justice in acquisition is more complicated and more controversial. The principle is meant to govern the gaining of exclusive property rights over the material world. For the justification of these rights, Nozick takes his inspiration from John Locke's idea that everyone 'owns' themselves and, by mixing one's labors with the world, self-ownership can generate ownership of some part of the material world. However, of Locke's mixing metaphor, Nozick legitimately asks: '...why isn't mixing what I own with what I don't own a way of losing what I own rather than a way of gaining what I don't? If I own a can of tomato juice and spill it in the sea so its molecules... mingle evenly throughout the sea, do I thereby come to own the sea, or have I foolishly dissipated my tomato juice?' (Nozick 1974, p.174) Nozick concludes that what is significant about mixing our labor with the material world is that in doing so, we tend to increase the value of it, so that self-ownership can lead to ownership of the external world in such cases (Nozick 1974, pp. 149-182).

The obvious objection to this claim is that it is not clear why the first people to acquire some part of the material world should be able to exclude others from it (and, for instance, be the land owners while the later ones become the wage laborers). In response to this objection, Nozick puts a qualification on just acquisition, called the *Lockean Proviso*, whereby an exclusive acquisition of the external world is just, if, after the acquisition, there is 'enough and as good left in common for others'. One of the main challenges for Libertarians has been to formulate a morally plausible interpretation of this proviso. According to Nozick's interpretation, an acquisition is just if and only if the position of others after the acquisition is no worse than their position was when the acquisition was unowned or 'held in common'. For Nozick's critics, his proviso is unacceptably weak. This is because it fails to consider the position others may have achieved under alternative distributions and thereby instantiates the morally dubious criterion of whoever is first gets the exclusive spoils. For example, one can satisfy Nozick's proviso by 'acquiring' a beach and charging \$1 admission to those who previously were able to use the beach for free, so long as one compensates them with a benefit they deem equally valuable, such as a clean up or life-guarding service on the beach. However, the beach-goers would have been even better off had the more efficient organizer among them acquired the beach, charging only 50 cents for the same service, but this alternative is never considered under Nozick's proviso. (Cohen, 1995)

*Notes*

Will Kymlicka has given a summary of the steps in Nozick's self-ownership argument:

- People own themselves.
- The world is initially unowned.
- You can acquire absolute rights over a disproportionate share of the world, if you do not worsen the condition of others.
- It is relatively easy to acquire absolute rights over a disproportionate share of the world. Therefore, once private property has been appropriated, a free market in capital and labor is morally required. (Kymlicka, p.112)

The assessment of this argument is quite complex, but the difficulties mentioned above with the proviso call into question the step from (3) to (4).

The challenge for Libertarians then is to find a plausible reading of (3) which will yield (4). Moreover, at one point, Nozick claims the proviso must apply to both acquisitions and transfers, compounding the problem.

Of course, many existing holdings are the result of acquisitions or transfers which at some point did not satisfy principles (a) and (b) above. Hence, Nozick must supplement those principles with a principle of rectification for past injustice. Although he does not specify this principle he does describe its purpose.

This principle uses historical information about previous situations and injustices done in them – and information about the actual course of events that flowed from these injustices, until the present, and it yields a description (or descriptions) of holdings in the society. The principle of rectification presumably will make use of its best estimate of subjunctive information about what would have occurred if the injustice had not taken place. If the actual description of holdings turns out not to be one of the descriptions yielded by the principle, then one of the descriptions yielded must be realized. (Nozick 1974, pp. 152-153).

Nozick does not make an attempt to provide a principle of rectification. The absence of such a principle is much worse for a historical theory than for a patterned theory. Past injustices systematically undermine the justice of every subsequent distribution in historical theories. Nozick is clear that his historical theory is of no use in evaluating the justice of actual societies until such a theory of rectification is given.

In the absence of [a full treatment of the principle of rectification] applied to a particular society, one cannot use the analysis and theory presented here to condemn any particular scheme of transfer payments, unless it is clear that no considerations of rectification of injustice could apply to justify it. (Nozick 1974, p.231)

Unfortunately for the theory, no such treatment will ever be forthcoming because the task is, for all practical purposes, impossible. The numbers of injustices perpetrated throughout history, both within nations and between them, are enormous and the necessary details of the vast majority of injustices are unavailable. Even if the details of the injustices were available, the counterfactual causal chains could not be reliably determined and, as Derek Parfit has pointed out, in a different context, even the people who would have been born would have been different. (Parfit 1986) As a consequence, Nozick's entitlement theory will never provide any guidance as to what the current distribution of material holdings should be nor what distributions or redistributions are legitimate or illegitimate. (Indeed Nozick suggests, for instance, the Difference Principle may be the best implementation of the principle of rectification). Although Nozick is fairly candid about this consequence, many of his supporters and critics have ignored it and have carried on a vigorous debate as though his theory is an attempt to tell us something about the justice of current economic distributions.

Notes

Libertarians inspired by Nozick usually advocate a system in which there are exclusive property rights, with the role of the government restricted to the protection of these property rights. The property rights commonly rule out taxation for purposes other than raising the funds necessary to protect property rights. The strongest critique of any attempt to institute such a system of legally protected property rights comes, as we have seen, from Nozick's theory itself — there seems no obvious reason to give strong legal protection to property rights which have arisen through violations of the just principles of acquisition and transfer. But putting this critique to one side for a moment, what other arguments are made in favor of exclusionary property rights?

As already noted, Nozick argues that because people own themselves and hence their talents, they own whatever they can produce with these talents. Moreover, it is possible in a free market to sell the products of exercising one's talents. Any taxation of the income from such selling, according to Nozick, 'institute[s] (partial) ownership by others of people and their actions and labor'. (Nozick, p.172) People, according to this argument, have these exclusive rights of ownership. Taxation then, simply involves violating these rights and allowing some people to own (partially) other people. Moreover, it is argued, any system not legally recognizing these rights violates Kant's maxim to treat people always as ends in themselves and never merely as a means. The two main difficulties with this argument have been: (1) To show that self-ownership is only compatible with having such strong exclusive property rights; and (2) That a system of exclusive property rights is the best system for treating people with respect, as ends in themselves.

Nozick candidly accepts that he does not himself give a systematic moral justification of the exclusionary property rights he advocates: 'This book does not present a precise theory of the moral basis of individual rights.' (Nozick, p.xiv) But others have tried to provide more systematic justifications of similar rights (Lomasky, Steiner) or to develop, more fully, justifications to which Nozick alludes.

In addition to the arguments from self-ownership, and the requirement to treat people as ends in themselves, the most common other route for trying to justify exclusive property rights has been to argue that they are required for the maximization of freedom and/or liberty or the minimization of violations of these. (Hayek) As an empirical claim though, this appears to be false. If we compare countries with less exclusionary property rights (e.g. more taxation) with countries with more exclusionary property regimes, we see no systematic advantage in freedoms/liberties enjoyed by people in the latter countries. (Of course, we do see a *difference* in distribution of such freedoms/liberties in the latter countries, the richer have more and the poorer less, while in the former they are more evenly distributed.) Now if Libertarians restrict what counts as a valuable freedom/liberty (and discount other freedoms/liberties people value), it will follow that exclusionary property rights are required to maximize freedom/liberty or to minimize violations of these. But the challenge for these Libertarians is to show why only their favored liberties and freedoms are valuable, and not those which are weakened by a system of exclusive property rights.

## Business Ethics in Practice

The business ethics in practice can be summed up as follows:

1. *Ethics is a personal and individual affair:* It is wrong to think that ethics is related to personal affair of an individual. Ethics embraces the entire society and, hence, it should govern and influence all the members of an organisation. In an organisation, if a person is individually good but collectively bad, then there is no benefit of the organisation from the personal ethics of individuals.



Notes

2. **Business and ethics do not go hand-in-hand:** It is a mistaken notion that business and ethics do not go simultaneously. Business ethics suggests that profit should be made on a sustainable basis by following correct norms and principles. In fact, everybody agrees that individual goals cannot be attained separately and there is a common horizon within which everybody should function.
3. **Relative ethics is a common practice:** Business ethics consists of principles and standards that guide behaviour in the world of business. Whether a particular behaviour is ethical or unethical is determined by stakeholders like investors, employees, customer's interest groups, and the community.
4. **Good business means good ethics:** It is a myth to believe that good business automatically promotes good ethics. Enron Corporation, once ranked among the top Fortune 500 companies, collapsed in 2001 under a mountain of debt. The inflated sales led to bankruptcy for Global Crossing with its fiber-optic telecommunications network. Arthur Anderson LLP formed in 1913 once exemplified for integrity collapsed because of questionable accounting practices.
5. It is also a myth that people learn ethical practices on their own. In fact, people have to be taught ethical practices in the corporate world. Many are not aware of the ethical implications of various decisions taken from time to time. Ethical training programmes can educate employees about the ethical policies and programmes of the company, the relevant laws and regulations and the general social and ethical standards.

## Attitude of Indian Managers towards Business Ethics

Thus, from study of the professional ethics in an organisation, a profile of the Indian manager emerges and this is not a profile of only an industrial manager on the shop floor or in an office, but it is truly the profile of a manager of any establishment. We should therefore, focus our attention on the three human values which are required in a manager for achieving not only short-term but also long-term results. The three value systems are:

### Simplicity

The Indian manager is required to emphasize simplicity rather than complexity. He creates organisations which are simple in their structure, roles for departments and people – which are simple in their content and clarity. He sets simple goals and clarifies in a simple manner. The most complex problems are simplified by him to a simple cause-effect relationship. The most complex data is simplified by him to a simple analysis which gives the thrust for creative action.

To do this, the 'Simple' manager is required to be an internally secure person. He cannot afford to have axes to grind. He needs to be knowledgeable. He needs to feel autonomous, responsible, and competent. The great security is derived from simplicity in tastes. It is the ever-increasing range of wants and desires which creates insecurity.

Here, Simplicity is suggested as a value system worth inculcating in Indians right from childhood. It is possible that such Indians will develop into very secure people who can help their organisations think simply in complex situations and achieve great results.

### Sacrifice

The second great challenge in all organisations which want to progress towards excellence and the managers of such organisations is the ability to Sacrifice. They need to sacrifice money for experimentation and to help innovation. People have to be able to rise up and

achieve unheard levels of production, sales, research or development or whatever is called for.

The tendency to equate Effort to Reward has to progressively be replaced by the willingness to sacrifice for one's Commitment. The Japanese had the concept of Hara Kiri, which was self-sacrifice if one failed. The value system of sacrifice is closely related to commitment and to courage. It is a personal value system which emanates from the acceptance of simplicity. The manager has to set an example of sacrifice in order to inspire his team. If the manager is wedded to luxury and comfort of his personal tastes, then he cannot expect sacrifice from his team. The Indian manager has to live a life of austerity, letting his team flower out in prosperity. This is possibly the reverse of the Western model of a manager who talks of his survival, his prerequisites, his cabin or his car. The Western model of creating an image may have to be substituted by an Indian model of self-effacement. It is not the Indian manager in isolation but it his team that is more visible.

### Sharing

Consensus in organisations, participation of all levels of people, the ability to discuss freely and exchange experiences is going to evolve only if the manager is prepared to share and believe in his mission as a mentor himself. Thus, the third human value to be developed in the Indian manager is the humility to share his experience and knowledge freely, the respect for others thus, creating the atmosphere for them to open themselves up. It is concern and humanity which creates a bond amongst people and organisations. Love, loyalty and devotion are to be felt and experienced. We cannot force it down people or talk about it.

Thus, the third Value System to be inculcated in the Indian manager is a deep love for people, for organisation, for his mission and the ability to bring about an atmosphere of co-operation, long association and rich experience which grows richer with sharing.

#### REVISION POINTS

1. Ethics is a system of moral principles, rules and conduct. Business ethics manifests the philosophy of business. Ethical issues encompass the rights and duties between a company and its employees, suppliers, customers and neighbours.
2. Principles of distributive justice are normative principles designed to conduct the allocation of the benefits and burdens of economic activity.
3. The complete principle of distributive justice would say simply that a distribution is just if everyone is entitled to the holdings they possess under the distribution.
4. Libertarians inspired by Nozick usually advocate a system in which there are exclusive property rights, with the role of the government restricted to the protection of these property rights.
5. The Indian manager is required to emphasize simplicity rather than complexity.

*Notes***INTEXT QUESTIONS**

1. Define business ethics.
2. Distinguish between ethics and business ethics.
3. What are the three principles of business ethics?
4. How are religion and ethics related?
5. Discuss the relation between morals and ethics.
6. Discuss the types of ethics.
7. Examine the characteristics of business ethics.
8. Describe the sources of business ethics.
9. Examine the factors influencing business ethics.

**Summary**

In this unit, we have analysed the definition of ethics in relation to the application of ethical principles in business. Ethics encourages the right type of actions and discourages the wrong type of actions.

Business ethics demonstrates that profit can be made on a sustainable basis by following good norms and practices. Short-cuts cannot help in the long-run. There are three principles of business ethics namely, standardisation, workable rules and ethics driven from top.

There are three types of ethics, namely, transactional ethics, participatory ethics and recognitional ethics. There are many factors influencing business ethics viz., leadership strategy, environment, corporate culture and individual characteristics. There is a two-fold objective of business, evaluation of practices and offering prescriptive advice. The importance of business ethics is increasing in modern times. Business ethics is not just a code of conduct but is concerned with a code of ethics. The concept of corporate social responsibility has become popular.

**Terminal Exercise**

Fill in the blanks:

1. The word ..... has originated either from the Latin word "Ethicus" or the Greek word "Ethicos".
2. .... refers to a system of learnt values and norms shared among a group of people.
3. .... indicate the social rules and guidelines which determine appropriate behavior in specific situations.
4. .... is the study of nature and meaning of existence.
5. .... law is prepared by convergent actions that are performed without the intention of making law.

## Supplementary Materials

---

Notes

<http://www.wikipedia.org>  
[www.indiaonestop.com/serviceindustry.htm](http://www.indiaonestop.com/serviceindustry.htm) - 57k  
[business.mapsofindia.com/sectors/service.html](http://business.mapsofindia.com/sectors/service.html)  
[www.iloveindia.com/economy-of-india/service-sector.html](http://www.iloveindia.com/economy-of-india/service-sector.html)  
[www.icfaipress.org](http://www.icfaipress.org)  
[www.tutor4u.com](http://www.tutor4u.com)  
[www.managementlogs.com](http://www.managementlogs.com)  
[www.globalethicsuniversity.com](http://www.globalethicsuniversity.com)  
[www.bus.lsu.edu.com](http://www.bus.lsu.edu.com)  
[www.buzzle.com](http://www.buzzle.com)  
[www.allbusiness.com](http://www.allbusiness.com)  
[www.icai.org.pdf](http://www.icai.org.pdf)  
[www.jdhr.org.pdf](http://www.jdhr.org.pdf)  
[www.forensicaccounting.com](http://www.forensicaccounting.com)  
[www.forensic.com](http://www.forensic.com)  
[www.rtedwards.com](http://www.rtedwards.com)

## Assignment

---

Despite the ill effects of tobacco-related products taking a toll of lives every year and the government expenditure to facilitate/increase the medication facilities to cure cancer and other deadly diseases, do you think it is justifiable in any manner to continue the use/sale of tobacco products in India?

In light of your argument(s):

- What is your definition of business ethics and social responsibility?
- What could be the factors that government has not been successful to ban the use/sale of such products?
- What strategies would you suggest to address this issue?

## Reference Books

---

Mittal Vivek (2007), *business Environment*, Excel Books.  
 Bedi Suresh (2006), *Business Environment*, Excel Books  
 Mishra, Puri (2006) *Economic Environment of Business*, Himalaya Publications House.  
 Spiro George W. (1993), *The Legal Environment of Business*, Englewood Cliffs, NJ Prentice Hall.  
 Starling, Grower (1996), *The Changing Environment of Business*, Cincinnati, OH, South Western College Publishing  
 Weidenbaum, Marray L. (1999), *Business and Government in the Global Market Place*, Upper Saddle River, NJ Prentice Hall.

*Notes*

## Learning Activity

---

Conduct a survey on “Should ethics be taught in business schools?” among thirty people—ten students, ten faculty and ten public. Analyse the results and offer suggestions.

## Keywords

---

*Ethics:* A system of moral principles, rules and conduct.

*Culture:* A system of learnt values and norms shared among a group of people.

*Philosophy:* The study of nature and meaning of existence.

*Etiquette:* The rules and conventions governing correct or polite behavior used in society.

*Directive Principles:* Added by 42nd Amendment, they are the suggestions to the Govt. about their objectives to be achieved.

*Social stratification:* It can be described as perceived hierarchies in which consumers rate others as higher or lower in social status.

*Disposer:* A family member(s) who initiates or carries out the disposal or discontinuation of a particular product or service.

*Stakeholder Theory:* A model of Corporate Social Responsibility that argues that business's social responsibilities extend not just to stockholders, but to other stakeholders.



# Philosophical Foundation of Ethics

UNIT

2

## UNIT STRUCTURE

- Introduction
- Customary Morality and Reflective Morality
- Ethical Relativism
- Normative Ethical System
- Ethics Issues in Different Spheres
- Egoism
- Utilitarianism
- Ethical Formalization
- Theoretical Normative Ethics
- Summary
- Terminal Exercise
- Supplementary Materials
- Assignment
- Reference Books
- Learning Activity
- Keywords

## OBJECTIVES

*After studying this unit, you will be able to understand about:*

- ❖ The philosophical foundation of ethics
- ❖ The egoism and its criticism
- ❖ The ethical formalization and the related approaches.

## Introduction

Philosophical Foundations is a normal interdisciplinary reference handbook in the field of business ethics. Articles by notable philosophers and economists scrutinize fundamental concepts, theories and questions of business ethics: Are morality and self-interest compatible? What is meant by a just price? What did the Scholastic philosophers think about business? The handbook will cover the entire philosophical basis of business ethics. Articles range from historical positions such as Aristotelianism, Kantianism and Marxism to systematic issues like justice, religious issues, rights and globalisation or gender.

## Customary Morality and Reflective Morality

### Notes

Dewey introduced a difference between valuing and evaluating, or between prizing and appraising. That we value something, positively or negatively, is shown by how we act towards that thing, in our holding on to it, trying to conserve it, taking care of it, or in our shunning it, attempting to get rid of it, trying to destroy it. The basis of such valuation may be an immediate reaction - of corporeal pleasure or pain, of aesthetic delight or disgust, of fear or sadness, or it may be the result of a process of evaluation. The newborn's cry in response to hunger or other discomfort is an organic response, but in fortunate circumstances, it leads to provide relief to adults. Thus, the baby learns to cry when it wants something. In a very rudimentary way, one may say that the baby has evaluated crying and found it serviceable. As the child learns to speak, it is also taught to ask politely for what it needs or wants rather than to cry; it is forced to re-evaluate crying. Because it interacts with its environment, including significantly its human environment, the child develops certain habits; it grows into the customary morality of its society. Adults habitually observe the (frequently unstated) rules of this morality, habitually have certain attitudes, and habitually attempt to instill these modes of acting and feeling in the children under their care. James and Dewey emphasized the significance of habit both in the smooth function of individual lives and for the stability of society.

Nevertheless, just as one determines that not all one's wants can be satisfied, that one must choose to pursue some goals while abandoning others, so one discovers that the customary morality into which one was socialized fails to give satisfactory answers to all life's problems. Thus, one must restore habitual responses by deliberate ones, customary by reflective morality (this terminology is due to Dewey). Moral philosophy is not a substitute for reflective morality; it is rather the result of reflection on an abstract level. The normative theories of the philosophers provide to draw our attention to features of moral situations that we may otherwise overlook, but they do not endow with recipes for the solution of moral problems. How then should we deal with moral problems?

Pragmatists are consequentialists but not Utilitarian's. Bentham had argued that anything valued was either a (bodily) pleasure or the reduction of a (bodily) pain, or else a means to such a state. As a result, Utilitarian's held that the right action in any given situation was the action that would most likely lead to the greatest balance of pleasure over pain for all those affected. Against this, James pointed out that our instantaneous valuing is not limited to bodily pains and pleasures; rather we enjoy music and dislike noise; we enjoy certain views, both natural and the products of art; we enjoy positive activities for their own sake. Indeed we have moral sentiments; the contemplation of certain actions or states of affairs will fill us with revulsion or admiration, etc. It is, therefore, impossible to reduce all values to a common denominator. Hence, to say that one should maximize the good, while it is not false, is rather empty. Moral choice cannot be reduced to a straightforward calculus, hedonic or otherwise.

There is another reason why solemn moral choice cannot be reduced to a calculation. When one is confronted with incompatible goals, when one has to choose how to live and what to live for, what is at stake, both James and Dewey have argued, is "not a dissimilarity of quantity [of good], but what kind of person one is to become, what sort of self is in the making, what kind of a world is making." What is meant here is not a sickly preoccupation with the state of one's soul but rather a sensible awareness that different ways of living (different careers, for example, or different family arrangements) will foster certain virtues while neglecting others. Thus knowledge of one's own strengths and weaknesses will play a role in making a sensible choice.

Although there is in serious moral choice an existential moment, there is also much room for deliberation, and when the issue concerns public policy on some level or other,

*Notes*

deliberation dominates. One finds oneself in a situation, Dewey called it a problematic situation, in which the outcome is not strong-minded. What will happen depends on what will be done, but what is to be done is not clear. One proposes a tentative goal. One investigates the resources available and the obstacles to be overcome in order to reach this goal; here knowledge of causal relationships is necessary. One rehearses in one's imagination various courses of action; one reacts emotionally to the contemplated consequences of the alternatives. Sympathy plays an indispensable role at this point. Dewey takes it for granted that good persons aim at the widespread good, but he warns that one will miss this aim unless one is able to feel imaginatively what others feel and to respond sympathetically to those anticipated feelings.

What then is the common good? There is, of course, no straightforward answer. Human beings need friends, harmonious family relations, and the ability to participate in political processes. They need to live in a society in which the arts and sciences increase; they need the social conditions for individual growth. Dewey does not want a paternalistic welfare state but a democratic socialism.

Human beings learn by constructing hypotheses and testing them in practice. This is as factual of so simple a hypothesis as "this apple is ripe" to be tested by biting into it, as it is of the majority advanced scientific theory. And it is equally true of value judgments, including, significantly, political judgments. Just as scientific progress requires the free exchange of views among scientists, communal progress requires the free exchange of views among citizens. Dewey considered it important that the school should do its utmost to break down social barriers between boys and girls, rich and poor, children of different origins. But ideas do not arise impulsively, they arise in response to experience, and, as we already noted, for Dewey experience is an interaction between the experience and the environment. In Dewey's view, the teacher is to prepare for the children experiences that relate the material to be learned to their recognizable world, experiences that do not present ready-made conclusion but rather demand that the children experiment, form their own hypotheses and test them.

If these principles sound familiar, it is because they are more or less realized in science education, especially in secondary schools and on the college and university levels. But whether these principles are to guide elementary school education continues to be a hotly debated issue. Yet technical and scientific change occurs now so rapidly that in order to be a well-informed citizen and a productive member of society one must be able to continue to learn. Learning how to learn is the most important skill our children can acquire. Because of these changes, the social scene, too, is in constant flux. Learning to be flexible, to be willing to listen to a variety of view points, and to regard social policies as experiments that one is ready to modify if things don't work out as one had hoped, these are the habits of mind that a Pragmatist education will attempt to foster. For Dewey a community improves as its members come to have more and more interests in common and as it comes to be more and more open to intercourse with other communities. These are the social conditions for continued individual growth, one might say: for a lifelong education.

## **Ethical Relativism**

Ethical relativism is the theory that embraces that morality is relative to the norms of one's culture. That is, whether an action is right or wrong depends on the moral norms of the society in which it is practiced. The similar action may be morally right in one society but be morally wrong in another. For the ethical relativist, there are no universal moral standards—standards that can be generally applied to all peoples at all times. The only moral standards against which a society's practices can be judged are its own. If ethical

*Notes*

relativism is correct, there can be no ordinary framework for resolving moral disputes or for reaching agreement on ethical matters amongst members of different societies.

Most ethicists refuse the theory of ethical relativism. Some claim that while the moral practices of societies may differ, the basic moral principles underlying these practices do not. For example, in some societies, killing one's parents after they reached a sure age was common practice, stemming from the belief that people were better off in the afterlife if they entered it while still actually active and energetic. While such a practice would be condemned in our society, we would agree with these societies on the underlying moral principle—the duty to care for parents. Societies, then, may be different in their application of fundamental moral principles but have the same opinion on the principles.

Also, it is argued, it may be the case that several moral beliefs are culturally relative whereas others are not. Certain practices, such as customs concerning dress and decency, may depend on local custom but other practices, such as slavery, torture, or political repression, may be governed by universal moral standards and judged wrong despite the many other differences that exist among cultures. Simply for the reason that some practices are relative does not mean that all practices are relative.

Other philosophers condemn ethical relativism because of its implications for individual moral beliefs. These philosophers assert that if the rightness or wrongness of an action depends on a society's norms, then it follows that one must obey the norms of one's society and to diverge from those norms is to act immorally. This means that if I am a member of a society that believes that racial or sexist practices are morally permissible, then I must accept those practices as morally right. But such a view promotes social conformity and leaves no room for moral reform or improvement in a society. Furthermore, members of the same society may hold different views on practices. In the United States, for example, a variety of moral opinions exists on matters ranging from animal experimentation to abortion. What constitutes right action when social consensus is lacking?

Perhaps the strongest argument against ethical relativism comes from those who assert that universal moral standards can exist even if some moral practices and beliefs vary among cultures. In other words, we can acknowledge cultural differences in moral practices and beliefs and still hold that some of these practices and beliefs are morally wrong. The practice of slavery in pre-Civil war U.S. society or the practice of apartheid in South Africa is wrong despite the beliefs of those societies. The treatment of the Jews in Nazi society is morally reprehensible regardless of the moral beliefs of Nazi society.

For these philosophers, ethics is an inquiry into right and wrong through a critical examination of the reasons underlying practices and beliefs. As a theory for justifying moral practices and beliefs, ethical relativism fails to recognize that some societies have better reasons for holding their views than others.

But even if the theory of ethical relativism is rejected, it must be acknowledged that the concept raises important issues. Ethical relativism reminds us that different societies have different moral beliefs and that our beliefs are deeply influenced by culture. It also encourages us to explore the reasons underlying beliefs that differ from our own, while challenging us to examine our reasons for the beliefs and values we hold.

## Normative Ethical System

Normative ethical systems can be broken down into three categories: deontological, teleological and virtue ethics. The first two are considered deontic or action-based theories of morality and the question "What should I do?" The third asks an entirely different question: "What sort of person should I be?"



## ❖ Teleological Theories

The word 'teleological' is derived from the Greek word "telos" which means an end. A great deal is depending on what is good and what is bad. Teleological theories give importance to the end and are not bothered about the means. Pleasure is considered as ultimate good and not concerned with the means.

### Merits of Teleological Theories

1. It is based on ordinary moral reasoning which is within the reach of average people.
2. By using this theory, people can justify some unethical acts like lying, breaking a promise and even stealing.
3. Teleological theories justify public policy like evacuation of people for the construction of multi-purpose river valley projects.

### Demerits of Teleological Theories

1. Teleological theories ignore the means, which are also as important as the ends.
2. In a welfare state like India, means are considered as necessary steps for achieving the ends.

## ❖ Deontological Theories

The word 'deontology' has been derived from the Greek word "deon" which means duty. Deontological theories give equal importance to the means as to the end. It emphasises duty as the basis of moral values. Getting corrupted for discharging our duties is also against the principle of deontology.

### Merits of Deontological Theories

1. Means or methods are as important as the ends, which is a noble principle.
2. The mad rush to achieve any result will be reduced and people will have more peace of mind.
3. Unethical acts in business like false information, empty promises and cheating can be very much reduced.

### Demerits of Deontological Theories

1. For many people, it is difficult to follow the right approaches during the process of a transaction. For example, bribery has become a part and parcel of public administration.  
If higher ups are not corrupted, permissions are delayed. If grease money is not paid, people at lower level do not work.
2. In a fast growing material culture, human and ethical values are not given adequate importance.
3. In a competitive world, everybody wants quick money in a short period of time. Many people do not really understand that the art of living lies not in eliminating but in growing with troubles.



*Notes*❖ **Virtue Ethics of Aristotle**

Aristotle is a pioneer of virtue ethics. As the architect of virtue ethics, Aristotle strongly advocated the good qualities of virtue ethics such as comfortable nature, timeless and universal application. Aristotle has suggested moral virtues such as courage, self-control, generosity, high-mindedness, gentleness, friendliness, truthfulness and modesty. All these qualities are essential for a good manager with a human face. Those qualities can enable a manager to perform his job effectively and enthusiastically. These moral qualities help the manager to get effective team and achieve the desired goals.

Virtue ethics is primarily considering the character, motivations and intentions of business people. Virtue ethics reflects the excellence of human character. One's character can be assessed in terms of principles followed in life like honesty, justice and labour. Virtue ethics promotes professional management with a human face. Virtue ethics encourages a deontological approach by looking into the right aspect in each and every situation.

Virtues can be promoted by strong belief, knowledge, effects of virtues, practice of virtues and learning from others. In any given situation, there cannot be a best solution. But a logical and ethical solution can be found out by applying virtue ethics.

Individual ethics, called micro ethics and social ethics called macro ethics can go hand in hand creating an ethical society. Virtue is a source of practical wisdom. For example, virtues like love, courage, benevolence and honesty make customers, employees, suppliers and competitors happy and smooth sailing of business events taking place. Virtue ethics is honoring the prevailing social thinking.

According to Aristotle, knowledge cannot be separated from action. He also believed that ethics is not an exact science and not conducive to mathematical formulation.

**Application of Virtue Ethics**

1. **Trust:** Confidence in the behavior of stakeholders and there is no cost of monitoring.
2. **Self-control:** Control of oneself from emotive behaviour and concerned with long-term benefits.
3. **Empathy:** Sharing the feelings of others, offering courteous treatment to all and the ability to anticipate the future events.
4. **Fairness:** Equitable dealing with others.
5. **Learning:** Gaining knowledge to make better decisions.
6. **Gratitude:** A sign of maturity, civility and decency.
7. **Moral leadership:** Attainment of peace of mind, contented heart and happiness.

**Merits**

1. The moral values suggested by Aristotle are universal and can be applied for all times.
2. The concept of virtue ethics is very much suitable at the present time when convergence is taking place at the global level.

**Demerits**

1. In the modern society where the values are eroded, it is difficult to apply the virtue ethics.

2. Since a significant part of society is corrupt, the excellence of human character is not very much appreciated.
3. There are conflicts between individual ethics and social ethics.

*Notes*

## **Ethics Issues in Different Spheres**

---

### **❖ Production**

Ethics is important in all areas of business including operations and technology. The process of production converts inputs as outputs. Various inputs like raw materials, labour, capital and management are converted as products and services. The process of production should be smooth, flexible and just.

Some important ethical issues that need to be considered in production are as follows.

1. The selection of location should be fair and suitable to all agencies of production. The major cities are overcrowded causing a lot of inconvenience to all.
2. Production is creating a lot of pollution in different forms. Hence, the industries have to be decentralised.
3. Because of employment, people migrate from rural areas to urban areas. Apart from villages becoming deserted, the urban areas are flooded with slums and bad conditions of living.
4. There are two methods of production, namely, capital-intensive method and labour-intensive method. If we resort to capital-intensive method only, there will be more and more of unemployment. An ideal solution will be the combination of both these methods, capital intensive for capital goods and labour-intensive for consumer goods production. No production plan should affect traditional and rural industries.
5. There should be a thorough and periodical check-up of the safety and security of plant and machinery. There should be no compromise on matters related to safety. Many industrial accidents take place because of the neglect of safety and proper maintenance.
6. The quality aspects and customer care have to be taken seriously and sincerely.
7. Industrial espionage refers to stealing of business plans, industrial secrets, technical details and patents. Some companies follow unfair methods like bribing for getting the business secrets of other competitive companies. Industrial espionage has to be avoided at any cost.

### **❖ Working Conditions of Labourers**

Ethics demands the provision of good working conditions for the workers. Good working conditions promote the efficiency of workers and also improve the productivity of workers. The following conditions are necessary for good working and labour welfare:

1. There should be adequate space for the movement of men and materials. All the equipments should be placed in such a way that these equipments can be operated effectively and efficiently.
2. Workers should be provided with canteen, rest rooms and common places.
3. There should be sufficient ventilation so that the workers are free from any problem of pollution.

*Notes*

4. There should be adequate amount of natural light in areas of production. If natural light is not available, artificial light has to be provided.
5. The workers should be provided with all the safety measures like helmets, gloves and shoes. The workers should be strongly educated on the importance of safety in work place. Moreover, strict action has to be taken against those who violate these safety measures. The first aid facilities have to be provided to the workers.
6. Harassment in any form has to be avoided.
7. Exploitation in any form has to be avoided. The management should treat the employees as stakeholders. The legally prescribed wages have to be administered and incentives have to be offered to the workers.
8. A humane and decent treatment of the workers can improve the morale of the workers and this will improve the overall productivity of the industry.
9. Constant and continuous training has to be provided to the labourers so that they can understand and adapt the latest trends in production and technology.
10. Above all, the workers have to be strongly motivated to improve the quality standards of goods and services. Quality is the key for the global competition in modern times.

### ❖ Supply Chain Management

Supply chain management refers to total materials management. Modern management is concerned right from the management of raw materials or components to the final supply of goods and services to the customers. This includes procuring, processing transporting and storing of raw materials and goods.

The supply chain management has an impact on different important aspects such as finance, quality, production, timely supply, cost and customer care.

The India Institute of Materials Management (IIMM) has given the following ethical guidelines:

1. In dealing with all transactions, the interest of the organisation has to be taken into account.
2. Maximum benefit for each rupee of expenditure has to be realised.
3. There should be honesty and truth in all transactions connected with buying and selling.
4. Prompt action should be taken in case of any complaint or enquiry from the customers.
5. There should always be courtesy and care in all dealings with the customers, suppliers and other stakeholders.

### ❖ Ethical Guidelines in Purchase

1. The trade enquiries should be simple and easy to understand by the suppliers.
2. The drafts should be written without bias.
3. Prompt payment after the delivery should be the practice.
4. The confidential matters of the company should not be revealed to the suppliers directly or indirectly.
5. There should be no place for indulging in any corruption such as commission or goods or any other service.

6. All the vendors should be equally treated so that there can be no discrimination in purchase.
7. Quality tests should not be fabricated.

*Notes*

### ❖ Transport

The transport system is vital for any organisation. In fact, the transport system is like a nervous system of a human body.

1. Fixing the transport contract is considered to be done in an unethical way in the case of many departments and companies.
2. The transport manager is very often charged for getting a percentage of commission from the contractors.
3. The transporters forming a cartel in order to fix higher prices with an understanding among themselves.
4. Trying to accommodate more passengers in buses and other forms of transport.
5. The drivers are given too much of work shifts, which lead to many accidents.
6. Lack of rail-road co-ordination so that the passengers are exploited.
7. The corrupt practices in RTO's office leading to the failure of maintaining standards of vehicles.
8. Extraordinary amount of delay and denial of services to the public.
9. Absence of adequate transport facilities for bringing the workers to the factory and their safe return.
10. Sub-contracting the transport contract to many who may not have the facilities to perform a standard service.

### ❖ Ethics in Stores in Organisations

A proper storage is important for any business or industrial organisation. In India, due to the lack of proper storage about 10 percent of the food grains is wasted or eaten away by rats. In the case of business and industrial establishments, there are unethical acts damaging the assets and production.

The following are the unethical practices in stores.

1. Frequent theft of materials by employees. In spite of laws, some employees break these laws and involve themselves in deliberate stealing of goods or raw materials or components. Unless stern action is taken, this unhealthy practice may continue. Moreover, all employees in the stores have to be taught the importance of ethical values in the practical life.
2. Very often, wrong entries are made in receipts and issues. This kind of white collar crime demoralises other employees too.
3. The storage of unwanted and obsolete materials causes an unnecessary burden to the management. A good stores management should encourage the storage of right type of goods and components only. Only then, the productivity of the stores can be improved.
4. Many times, safety is not provided to the stores from fire, rusting and evaporation leading to loss of life and the value of the material.

*Notes*

5. When materials and components are sent to other closely associated concerns, there are cases of not recording these materials in a proper way.
6. Sometimes, materials have been purchased without a proper purchase order.

### ❖ Unethical Issues in Civil Contract

For the growth of the economy, speedy implementation of civil projects is necessary. In fact, the infrastructure activities like building dams, bridges and irrigation projects necessitates civil works. The construction work of houses, public buildings and industries very much depends on civil works. The following are the unethical issues involved in civil contracts:

1. Very often, buildings are damaged because the stipulations have not been strictly followed. There is a specific proportion of mixing with other materials which is not strictly followed.
2. Many contractors make use of inferior quality cement bricks and iron in order to make greater profits.
3. Many of the public contracts are obtained by the business contractors by bribing the officials. Naturally, these contractors offer only a poor quality work.
4. Buildings are constructed in a hurry without adequate curing and the time to set in a natural way.
5. The working conditions of construction labourers are not safe. That is why; a lot of casualties are taking place in the construction industry.
6. Most of the metalling of roads is not done according to the specified scales. It is done primarily to save the costs.
7. Environmental and safety rules are also violated.
8. Bad condition of roads in rural areas hinders the socio-economic progress of villages.

### ❖ Ethical Lapses in Quality Control

The following ethical lapses in quality control take place in technology related issues.

1. The various measuring instruments are not calibrated. This will lead to scope for mistakes.
2. The production and inspection staffs have not been given adequate training on quality measures.
3. Machinery and tools are poorly maintained.
4. The poor quality of packing can affect the quality of the products particularly chemicals.
5. Deliberate issue of false quality certifications in order to boost the sales.
6. Lack of clear instructions in the use of materials, machinery and tools.

### ❖ Patents and Ethical Issues

A patent is a right to exclude others from doing what is claimed in the patent. A definite period of time is allotted, 20 years according to WTO. By acquiring a patent, one can prevent others from using the patented invention. In fact, the provisions of other laws make it impossible to use patented invention such as health safety law and environmental law.



Though patents are promoting new inventions, some of these products may be bad to the health or efficiency of people.

Ethics is concerned with what is considered as right or wrong by a society at a given point of time. Ethical norms are bound to change from place to place and time to time. Many times, activities claimed in a patent may be unethical or problematic with regard to the ethical standards. Therefore, the patent system cannot be the primary tool to deal with the ethical considerations. Patents are not granted for the process of cloning of human beings.

All products of technology present some potential dangers and, hence, engineering is a risky activity. In this sense, engineering should be viewed as a social experimentation. The services provided by engineers should be dedicated to the protection of public health, safety and welfare.

The accountability of scientists and policy-makers is accepted as an important feature in modern days.

Technology should maintain solidarity with society giving priority to human rights and liberty. Before launching any major technical project or programme, the informal consent of the society is necessary. It requires active and continuous disclosure of scientific activities.

Technology should incorporate a humanitarian aspect such as, “how technology can reduce poverty?” In short, a balance is required between technical excellence, economic feasibility and ethical maturity.

### ❖ Media Ethics

Technology has been instrumental in promoting different media like print and electronic media. Journals and newspapers sometimes publish sensational news without correctly verifying the details. The court cases are reported partially. Though the industrial accidents and business failures are reported, these reports do not provide all details for want of space.

People are fed with more of sensational information than of correct and educative information. Again, only the problems are reported but not the solutions. The media relies to a great extent, on the degree of information provided to it. Real investigative journalism is rare, in which journalists investigate details and data and inform the readers through articles.

The Society of Professional Journalists in the US has given a code for journalists:

- Seek truth and report it
- Minimize harm
- Act independently
- Be accountable

### ❖ Genetic Engineering

Genetic engineering refers to a large variety of new techniques to change the genes in the cells of human beings, animals and plants.

The genes are composed of deoxyribonucleic acid (DNA), which contains the characteristics an organism has. Through technology, the genes from one species are removed and inserted into the genes of another species to create a new organism with the combined characteristics of both the species. That is how, new varieties of vegetables,

*Notes*

grains and viruses are created. It is said that bacteria have been engineered to consume oil spills and detoxify waste. Is it not unethical? Yes, it is highly unethical. We cannot predict the results of genetic engineering.

### ❖ Bonded Labour in India

One of the important aspects of production is the employment of labour. Bonded labour has been in existence for a very long time. It is confined to agriculture and other related fields. Poverty was the primary cause for the growth of bonded labour in India. Food grains are given to these people and forced to work in the farms. The rate of exploitation is high and many families are forced to work for generations.

It is estimated that nearly 6 percent of the total agricultural labourers of India belong to bonded labour category. About 87 percent of bonded labourers belong to scheduled castes scheduled tribes and adivasis. In spite of the policy measures and drives, bonded labour has not been abolished to a large extent. This poses an unethical challenge for the production pattern of India.

Bonded labourers are forced to pledge themselves and the moneylenders take advantage of their helplessness and ignorance.

The future of bonded labour is not bright. The state and district authorities have failed to provide sufficient subsistence allowance to the bonded labourer. The following are the important suggestions for the improvement of the socio-economic condition of bonded labour.

1. Creation of infrastructure of irrigation drainage and flood control.
2. Rural electric supply should be increased for the promotion of rural industries.
3. It is necessary to undertake employment generation programmes.
4. Credit facilities should be provided to the bonded labour from the institutional sources.

### ❖ Socio-ethical Issues posed by Computers

Computers have a powerful impact in our present day world and are also shaping the future of mankind. Computer knowledge has a powerful influence in changing the lives of the people. Computers, digital data and telecommunications have changed the different aspects of life such as work, education, health, travel, business and government. We can keep a track of past data and predict the future. These facilities have changed people as individuals, communities and nations.

Computer technology is not the first technology to raise moral issues. New technologies pose ethical issues when new possibilities of human action are created. Always, new technologies create benefits as well as new problems.

*Example:* Can organ donations be allowed?

Technological growth has to be evaluated at each and every stage. Many times technological possibilities and inventions have been rejected or controlled like nuclear power. The various chemicals deplete the amount of ozone in the atmosphere causing environmental problems.

We have to admit computers have created enormous opportunities for the growth of individuals and institutions. Man could not have reached the moon nor reached this tremendous level of global communication without computers. Information technology used in the health sector has enhanced our ability to detect, diagnose and treat illness. It has created new vistas for employment, business and development.

According to James Moor, the central task of computer ethics is to determine what we should do and what our policies should be.

*Notes*

### A few questions for discussion

1. Is it ethical for a business company with a web site to place a cookie on the hard drive of those who visit the site? A cookie is a mechanism that allows a website to record comings and goings.
2. Is data mining morally acceptable?
3. Should computer graphical incidents be used in courts?

The policy vacuums that need to be filled in computer technology are a good example of the fluidity and uncertainty of technology. Even before the invention of computers, there were laws like patent law, copyright and trade secrecy. These laws cannot be applied to computer software because it is difficult to conceptualise the software programmes.

Law cannot fill the policy vacuums and address the ethical issues. Though nothing is new under the sun, the computer technology has brought about new entities such as programmes, software and websites. Another special feature of IT is that it has changed the scale of many activities and operations. This naturally includes the vast data collection, statistical analysis and the large scale communication. New kinds of knowledge such as knowledge about the solar system, about weather and the economy are available. Computer technology has created a new instrumentation for human action.

Ethics and the internet communication has three special features:

1. It has an unusual scope in which it provides for many-to-many communication on a global scale;
2. It helps a certain kind of anonymity; and
3. It is capable of reproduction.

The Internet has enormous benefits of bringing people together and making space and distance less important. It has merits as well as demerits.

Some of the troubles include:

- **Hacking:** Hacking refers to the use of computers for illegal actions; especially gaining unauthorised access to computer systems. It also includes stealing and sharing proprietary software. The terms 'hacker' and 'hacking' are now used to refer to those who gain unauthorised access and perform other disruptive feats. Hacking undermines the security and integrity of the Internet.
- The people who use the internet want a system which is reliable, trouble-free offering – privacy and integrity. In short, hacking is an unethical act that cannot be justified.
- **Flame:** A flame is an inflammatory or insulting message sent via e-mail. Many individuals are unhappy because of these flames.
- **Spam:** The unsolicited bulk e-mail is called spam. It is equivalent of junk mail. It is annoying and disruptive.
- **Privacy:** Information about individuals is created, collected and exchanged in organisations. This information helps the organisation to make decisions.

A balance is required between the needs of the organisation and the rights of the individuals.

*Notes*

Computer technology can create many possibilities for tracking and monitoring of human behaviour. There are two ways in which personal privacy may be affected by computer technology:

1. The massive information collected can be used by the organisations like banks, institutions, insurance companies' offices, etc., and can be shared with others.
2. New information about the individuals can be collected.

Similarly, information can be collected about the customers. From the buying pattern of customers, many inferences can be made. The loss of privacy is a serious threat to most of the fundamental values. According to James Rachels, people have to control information about themselves in order to maintain a diversity of relationships. If a doctor knows about your need for a house, he can pass this to a real estate agent. Information about everything cannot be shared with all. In modern times, large scale information and data are collected because of the internet.

A computer is a combination of hardware and software. Hardware refers to the machine with infinite possible configurations. Software refers to a set of instructions for the machine. In fact, the software controls and configures the machine. It decides what the computer can and cannot do. The software sets up the computer so that it responds to the programmes. Moreover, the microchip that is created is a hybrid between software and hardware.

Software has created ethical and legal issues both at the macro and micro levels. The illegal copy of computer software is an ethical and legal issue. Legal protection has to be given to those who develop software programmes. Throughout the world, software property rights continue to be uncertain in many areas and property rights claims are contested. Again, the international law is highly complex and bodies like WTO are in the process of developing policies to cover intellectual property rights in global trade.

Software programmes are responses to the problems to be solved. To begin with, the problem in issue should be clearly stated. Each step has to be clearly defined. Once the flowchart is constructed, it is used to express the algorithm in a language that the computer can understand. This coding of the programme can be done with the help of a computer language.

There are three legal mechanisms available to those who create software to claim ownership and protect their creations, namely, copyright, trade secrecy and patent. In spite of these legal protections, there is dissatisfaction with the legal situation.

Even though copyright provides a significant form of protection to the authors, the protection is limited in the case of computer software and poses complex issues of interpretation. It should be noted that an idea cannot be copyrighted but the expression of an idea can be. This distinction between idea and expression is clear in literary works but not in software. The behaviour of software is valuable but the value is not protected by copyright.

Similarly, the applicability of trade secrecy laws of computer technology is not clear. Secrecy protection is not adequate. The most important problem is that of meeting the requirement of maintaining secrecy by enforcing employment agreements and licensing agreements.

For example, a person who works with licensed software can understand the general principles and create new software. In short, the trade secrecy can be protected as long as the owner keeps the software out of the public realm. But the software has to be put into public realm in order to be sold or licensed.

Patent protection offers the strongest form of protection for the software. A patent holder has right to make and the right to license others to make, use or sell it. There are three

types of patents, namely, utility patents, design pattern and patents on plant forms. Abstract ideas, scientific principles and mental processes cannot be patented. There are some difficulties in extending patent protection to software. What subject to be transformed by software such as data? Is it related to the internal structure of the computer? These are all a few difficulties in extending patent protection to the software.

Software copying is immoral because it is illegal.

### ❖ Virus Attacks

Just as biological virus affects the normal functioning of a human body, a computer virus affects the inner working of computers and disturbs the computer operations.

Computer viruses infest the host programmes by overwriting or modifying the host programme. A popular virus, Trojan Horse, makes a person feel that he is using a legitimate programme but a certain code causes the damage.

Boot sector viruses replace or infect the original programme. This virus gets into RAM and infects every disk accessed in the computer. File viruses infect by attaching themselves to the executable files. Computer technology offers a bright future but some threats are also posed. Like other technologies, computer technology needs human vigilance and ethical practices.

### ❖ Security Threats

Information systems have many components and are located in several locations. Therefore, there are two types of potential hazards, accidental and intentional for information systems.

The following are the specific threats to the information systems.

1. Loss or theft or corruption of data
2. Inappropriate use of data
3. Theft of equipment or programmes
4. Errors in handling, entering processing, transferring and programming of data
5. Malfunction of equipment
6. Accidental or malicious damage to computer resources
7. Destruction by viruses.

The Internet is democratic because of the following reasons:

1. It facilitates many-to-many communication at the global level
2. It facilitates communication without any intermediary
3. It gives powers to many through information
4. Knowledge has been structured and presented in an orderly way.

### ❖ Managing Privacy Issue

Privacy is a common concern in computer ethics. Computer technology can track and monitor human behaviour. Computers can collect a lot of information about organisations like banks, insurance companies and welfare agencies. Similarly, computers can monitor and collect a lot of information about individuals.

The protection of intellectual property rights has become an active legal issue at the international level. Though software is a relatively new entity, global society has to protect



## Notes

the software rights. Property rights have to be given to promoters of invention and it is fair that those who promote should be properly protected and rewarded. System errors can lead to large-scale failures. Due to hackers and crackers, there may be security risks. In fact, unreliable data as well as intentional misinformation are the risks due to the characteristics of digital data.

Like other professionals, computer professionals should analyse these problems in the context of risk, reliability, accountability and professional ethics. Apart from finding solutions to business problems, computer professionals should take into account the needs of the growth of the society also. The computer scientists should also understand how their work affects human values and ethical considerations.

## Egoism

---

### ❖ Formulation of Egoism

The alternatives that some agent has at some time are the actions that are open to the agent at that time; they are "options"; two actions are alternatives to one another when an agent can do either one of them, but not both of them.

The consequences of a given act are the things that would occur "as a result" of the act, if it were performed. Note that some following event is a consequence of an act whether it is near in space and time or far away; whether it is something that the agent of the act could rationally anticipate or not; whether it involves the agent of the act or some distant stranger.

Our version of egoism is going to be a form of consequentialism. A normative theory is a form of consequentialism insofar as it implies that facts about the consequences establish the normative status of acts.

### Some assumptions about Pleasure and Pain

- They are *feelings*, or sensations.
- Each episode of happiness or pain has an *intensity* and a *duration*; these factors determine the *amount* of pleasure or pain in the episode.
- The *hedon* is the unit of measurement of happiness; the number of hedons in an episode of pleasure is determined by the intensity and duration of the episode of pleasure.
- The *dolor* is the unit of measurement of pain; the number of dolors in an episode of pain is determined by the intensity and duration of the episode of pain.

Pleasures and pains are "*commensurable*"; that is, if some pleasure contains the same number of hedons as some pain contains dolors, then we can say that there is as much pleasure in the episode of pleasure as there is pain in the episode of pain. (This assumption will enable us to add and subtract pleasure and pains, like the assets and liabilities on an accountant's balance sheet.)

We can now define hedonic agent utility as the total number of hedons of pleasure that the agent of the act would feel as a consequence of the act if it were performed, minus the total number of dolors of pain that the agent of the act would feel as a result of the act if it were performed.

## ❖ Common Misapprehensions about Egoism

### Immediate Gratification

Egoism is not the doctrine that we should pamper in as much pleasure we can in the short run, without a care for what happens to us in the long run. In order to compute the hedonic agent utility of an action, you need to figure in all the pleasure and pains that would result, no matter how down the line in the future.

### No Altruism

Egoism also does not entail that we should never act altruistically. Rather, it implies that we may act for the benefit of others so long as that act also maximizes our own hedonic utility.

### Psychological Egoism

There is an additional doctrine – a doctrine in psychology – that sometimes goes by the name of “egoism”. This other doctrine, “Psychological Egoism,” is a view about how human beings happen to be set up, psychologically speaking. It is not a view at all about what we morally should do. Psychological Egoism says that we human beings in fact always pursue our own well-being. That is, we always choose the act that we think will be best for us. We are motivated only by the desire for pleasure and a dislike to pain.

## Utilitarianism

John Stuart Mill was a man of extraordinary learning. He was a combination of philosophy, logic and economics. He has given importance to the concept of utility which means the ability to satisfy a human want. Mill has pointed out that happiness brings pleasure and unhappiness brings pain. Business should promote happiness to the customers. Human beings alone are capable of enjoying the pleasure including arts and intellectual pursuits.

An action is right if it produces the greatest benefit over the pain to everyone.

There are four phases of utilitarian principles:

1. **Consequentialism:** Every action has some effects. Right actions produce right effects. Business should be capable of producing good results.
2. **Hedonism:** Hedonism refers to pleasure, which should bring happiness to all. Business should promote pleasure to buyers, employees and all the stakeholders.
3. **Maximalism:** A good business should bring about maximum benefits to all. The buyers should get the maximum benefits and the sellers should sell at a reasonably high price to cover up costs and earn profit.
4. **Universalism:** What is applicable to one country should be applicable to other countries too. This concept is very much relevant to the modern era of globalisation.

### Criticism

1. It is difficult to measure utility. Money cannot be the measuring rod of utility.
2. In any business, cost benefit analysis cannot be applied on all occasions. During scarcity, prices go up and during abundance, prices are normal.

*Notes*

## Ethical Formalization

### ❖ Kant Approach

Immanuel Kant was a well-disciplined Prussian with deep analysis and thinking. Though he did not travel much, he was able to understand the ethical implications of life, which can be very well applied to business. His approach is also deontological, giving importance to means and methods.

Kant wrote a famous book called *Foundations of the Metaphysics of Morals*. He says that reason should bring moral obligations.

The phrase 'categorical imperative' refers to the 'do's' and 'don'ts' in business and life.

Kant has suggested the ethics of duty in terms of which every person has two types of duties, namely internal duty and external duty. The internal duty refers to thinking with morals and external duty is to act with moral principles. He has pointed out that emotions cannot go with morals.

Kant has given three fundamental criteria of categorical imperative:

1. **Universability:** If an act is right for one person, it is right for all others.
2. **Respect:** We have to accord self-respect to ourselves and respect others. Goodness has to be legalised.
3. **Publicity:** We have to openly acknowledge the good acts of people.

Human beings should use rationality and reasoning. The rights of individuals have to be given importance. The positive rights have to be recognised.

Kant suggested that business is an opportunity to live well and get along with others.

### Criticism of Kant

1. Many people are not rational in their behaviour.
2. Rights are not available to all people at all times.
3. In the modern world, the concept of virtue is fast diminishing. The bad concepts of black money, corruption and other unethical practices have become accepted practices.

### ❖ Kantian Approach in the Context of Organization and Management

Webster's Collegiate Dictionary defines "ethics" as the "discipline dealing with what is good and bad and with moral duty and obligation," "a set of moral principles or value" or "a theory or system of moral values." Ethics assist individuals in deciding when an act is moral or immoral, right or wrong. Ethics can be grounded in natural law, religious tenets, parental and family influence, educational experiences, life experiences, and cultural and societal expectations.

Ethics in business, or business ethics as it is often called, is the application of the discipline, principles, and theories of ethics to the organizational context. Business ethics have been defined as "principles and standards that guide behavior in the world of business." Business ethics is also a descriptive term for the field of academic study in which many scholars conduct research and in which undergraduate and graduate students are exposed to ethics theory and practice, usually through the case method analysis.

Ethical behavior in business is critical. When business firms are charged with infractions, and when employees of those firms come under legal investigation, there is a concern raised about moral behavior in business. Hence, the level of mutual trust, which is the foundation of our free-market economy, is threatened.

Although ethics in business has been an issue for academics, practitioners, and governmental regulators for decades, some believe that unethical, immoral, and/or illegal behavior is widespread in the business world. Numerous scandals in the late 1990s and early 2000s seemed to add credence to the criticism of business ethics. Corporate executives of WorldCom, a giant in the telecommunications field, admitted fraud and misrepresentation in financial statements. WorldCom's former CEO went on trial for alleged crimes related to this accounting ethics scandal.

A similar scandal engulfed Enron in the late 1990s and its former CEO, Ken Lay, also faced trial. Other notable ethical lapses were publicized involving ImClone, a biotechnological firm; Arthur Andersen, one of the largest and oldest public accounting firms; and Healthsouth, a large healthcare firm located in the southeast United States. These companies eventually suffered public humiliation, huge financial losses, and in some cases, bankruptcy or dissolution. The ethical and legal problems resulted in some corporate officials going to prison, many employees losing their jobs, and thousands of stockholders losing some or all of their savings invested in the firms' stock.

Although the examples mentioned involved top management, huge sums of money, and thousands of stakeholders, business ethics is also concerned with the day-to-day ethical dilemmas faced by millions of workers at all levels of business enterprise. It is the awareness of and judgments made in ethical dilemmas by all that determines the overall level of ethics in business. Thus, the field of business ethics is concerned not only with financial and accounting irregularities involving billions of dollars, but all kinds of moral and ethical questions, large and small, faced by those who work in business organizations.

## Theoretical Normative Ethics

### ❖ Prima Facie Principle

W.D. Ross, a well-known twentieth century ethicist, argued that moral issues can be understood as conflicts between certain prima facie duties, duties that can be expressed in terms of a number of commonly accepted principles which we will here call simply "prima facie principles."<sup>1</sup> ("Prima facie"—pron. *prima fashee*—is a Latin term meaning "on first view"). These principles define what we might call the initial moral presumptions concerning how we should act as moral agents. A moral presumption is simply a presumption that someone ought to act in a certain way under certain circumstances unless some special justification is offered that defeats the presumption, that is, a justification showing that it is morally acceptable not to act in accordance with the presumption. When such moral presumptions come into conflict, then a moral issue arises. Consider six prima facie principles that the vast majority of ethicists and moral agents generally would accept.

1. **Principle of Honesty:** Generally, moral agents have the obligation to tell the truth. There is little doubt that truth-telling is a prima facie obligation that we commonly try to follow in our own conduct and expect others to follow as well. There is good reason for this. The communication of accurate information is the basis for effective collective action amongst people. Just imagine working with a group towards a common goal where everyone in the group lies to everyone else—very little could get done. The most serious question in applying this principle is determining under what circumstances it is violated. Certainly when someone

## Notes

offers a false statement with the intent to deceive someone else (a lie), the act would commonly be understood as a violation of the principle. But there are less direct forms of deception. What if a business partner tells initially that he will not go on vacation during the summer months, but then changes his mind, and allows one to persist in the belief that he will not go on vacation simply to avoid any personal conflict. Is allowing one to persist in a false belief being dishonest in a way that is prescribed by the principle of honesty? Perhaps, although when caught in the deception, the business partner might claim that he did nothing wrong since he never knowingly lied. There can be, then, reason for dispute concerning whether certain cases of deception violate the principle or not. We will return to these issues when we discuss honesty in professional ethics.

2. **Principle of Promise-Keeping:** Generally, moral agents have the obligation to keep their promises. Like the principle of honesty, the principle of promise-keeping raises some questions concerning when it applies. The issue concerns what constitutes a promise. Certainly a direct statement by someone to the effect that the promise to do something constitutes a promise, but then there are times when we presume that a promise is made tacitly, due to the nature of a given human relationship. Parents, for example, might be understood to tacitly offer their children a promise to foster their development and protect their interests, even though parents will rarely state such a promise. A commonly accepted exception to this principle is recognized when the moral agent who offers a promise is later unable to fulfill it. We cannot be expected to fulfill moral demands that we simply cannot fulfill, and this applies to promise-keeping. Thus, if one promises to coach the Little League Baseball Team on Saturday afternoon, and on Saturday morning he runs into a traffic accident that causes serious injuries, he is released from any moral responsibility to fulfill the said promise.
3. **Principle of Nonmaleficence:** Generally, moral agents have the obligation to do no harm to others. This principle forbids the doing of harm, where harm might be understood as both physical and psychological harm. Thus, a parent who either physically abuses their child or causes extreme emotional distress in their child violates this principle. The commonly accepted exception to this principle is cases where doing harm are the only way to prevent harm to come to oneself (self-defense) or to others.
4. **Principle of Beneficence:** Generally, moral agents have the obligation to do good for others. "Good" in this context, like "harm" in the principle of nonmaleficence, must be interpreted broadly, to cover both physical goods (nourishment, health) and psychological goods (security, happiness). Beneficence and nonmaleficence are often confused in cases of preventing harm from coming to others. Preventing harm is required by beneficence, not nonmaleficence, since preventing someone from committing harm is not a failure to do harm oneself, but doing something good for another.
5. **Principle of Autonomy:** Generally, people have the right to live their lives as they see fit so long as doing so does not interfere with the correlative rights of others. This moral principle corresponds to the political value of freedom of action and speech as it is protected in the US Constitution, and in other open societies. Here, however, it applies not simply as a restriction against the government, but as an obligation for all moral agents: we have the obligation to allow people to make their own decisions, to live as they wish, so long as the exercise of this freedom does not impede our exercise of our own rights. There are two contexts in which the moral demand of autonomy applies. First, in those cases where our actions are sufficient as a reason to pursue our own interests, we have the right not to be



interfered with by the action of others—a *right of noninterference*. However, in those circumstances where we require the aid of others to attain our interests, such as a cancer patient who needs a skilled surgeon to remove the cancer, we have a right to control the actions that others take for our benefit. The patient, for example, has a right to control which procedures the surgeon takes to bring the cancer under control—a right of control.

6. **Principle of Equality (Justice):** Generally, people should be treated in a manner that accords to each an equality of respect. This principle is more fundamental than the other principles in the sense that it expresses as a normative principle an implication of the principle of universalizability—the standard by which we treat one person is the same standard that we should use to treat all people.

It should be noted that this principle does not imply that everyone should be treated in the same way. People have different needs, and enter into different types of relationships with others involving specialized demands and requirements. We know this in our daily lives, and treat people differently in accordance with the particular demands of the context. One doesn't treat one's child like one treats, for example, the checker at a supermarket. What the principle does demand is that each person should be treated in accordance with the same criteria.

Notes

### REVISION POINTS

1. The word 'teleological' is derived from the Greek word 'telos'.
2. The British philosopher, W. D. Ross, introduced a system consisting of seven rules. These rules are based on deontological theory.
3. Aristotle is a pioneer of virtue ethics.
4. Albert Carr asserts that bluffing in business may be ethical. Bluffing in business is considered as a game strategy.
5. Karl Marx believed that the growth of any society goes through various stages like feudal, industrial, state intervened and ultimately a socialistic society.

### INTEXT QUESTIONS

1. Define teleology.
2. Define deontology.
3. What are the rules of Ross?
4. State the ideas of Confucius.
5. Describe the virtue ethics of Aristotle.
6. Compare Kant's theory with Mill's approach.
7. Compare teleological and deontological approaches in business ethics.
8. Examine Immanuel Kant's theory of categorical imperative.

*Notes*

## Summary

---

Dewey introduced a difference between valuing and evaluating, or between prizing and appraising. That we value something, positively or negatively, is shown by how we act towards that thing, in our holding on to it, trying to conserve it, taking care of it, or in our shunning it, attempting to get rid of it, trying to destroy it. Ethical relativism is the theory that embraces that morality is relative to the norms of one's culture. That is, whether an action is right or wrong depends on the moral norms of the society in which it is practiced. The similar action may be morally right in one society but be morally wrong in another. Normative ethical systems can be broken down into three categories: deontological, teleological and virtue ethics. The first two are considered deontic or action-based theories of morality and the question "What should I do?" The third asks an entirely different question: "What sort of person should I be?"

Aristotle is a pioneer of virtue ethics. As the architect of virtue ethics, Aristotle strongly advocated the good qualities of virtue ethics such as comfortable nature, timeless and universal application. Aristotle has suggested moral virtues such as courage, self-control, generosity, high-mindedness, gentleness, friendliness, truthfulness and modesty. All these qualities are essential for a good manager with a human face.

John Stuart Mill has given importance to the concept of utility which means the ability to satisfy a human want. Mill has pointed out that happiness brings pleasure and unhappiness brings pain. Business should promote happiness to the customers. Human beings alone are capable of enjoying the pleasure including arts and intellectual pursuits.

Immanuel Kant was a well-disciplined Prussian with deep analysis and thinking. Though he did not travel much, he was able to understand the ethical implications of life, which can be very well applied to business. His approach is also deontological, giving importance to means and methods.

W.D. Ross, a well-known twentieth century ethicist, argued that moral issues can be understood as conflicts between certain prima facie duties, duties that can be expressed in terms of a number of commonly accepted principles which we will here call simply "prima facie principles."

## Terminal Exercise

---

State whether the following statements are true or false:

1. The word 'Ethics' has been originated from the word 'ethos'.
2. The deontological system of a decision is determined by measuring the probable outcome.
3. A teleological morality is based on rules or principles that govern decisions.
4. Before effective law system it is the religion that has played a role of restriction on unsocial activities.
5. Aristotle has given importance to the concept of utility which means the ability to satisfy a human want.

## Supplementary Materials

---

<http://www.wikipedia.org>

[www.indiaonestop.com/serviceindustry.htm](http://www.indiaonestop.com/serviceindustry.htm) - 57k

[business.mapsofindia.com/sectors/service.html](http://business.mapsofindia.com/sectors/service.html)

[www.iloveindia.com/economy-of-india/service-sector.html](http://www.iloveindia.com/economy-of-india/service-sector.html)  
[www.icfaipress.org](http://www.icfaipress.org)  
[www.tutor4u.com](http://www.tutor4u.com)  
[www.managementlogs.com](http://www.managementlogs.com)  
[www.globalethicsuniversity.com](http://www.globalethicsuniversity.com)  
[www.bus.lsu.edu.com](http://www.bus.lsu.edu.com)  
[www.buzzle.com](http://www.buzzle.com)  
[www.allbusiness.com](http://www.allbusiness.com)  
[www.icaipdf.org](http://www.icaipdf.org)  
[www.jdhr.org.pdf](http://www.jdhr.org.pdf)  
[www.forensicaccounting.com](http://www.forensicaccounting.com)  
[www.forensic.com](http://www.forensic.com)  
[www.rtedwards.com](http://www.rtedwards.com)

## Assignment

---

Select a group of five students from your class and discuss the most suitable theory of business ethics in modern times.

## Reference Books

---

- Mittal Vivek (2007), *Business Environment*, Excel Books.  
 Bedi Suresh (2006), *Business Environment*, Excel Books.  
 Mishra, Puri (2006), *Economic Environment of Business*, Himalaya Publications House.  
 Spiro George W. (1993), *The Legal Environment of Business*, Englewood Cliffs, NJ Prentice Hall.  
 Starling, Grower (1996), *The Changing Environment of Business*, Cincinnati, OH, South Western College Publishing.  
 Weidenbaum, Matray L. (1999), *Business and Government in the Global Market Place*, Upper Saddle River, NJ Prentice Hall.

## Learning Activity

---

A recent study has revealed that a majority of employees spend ten hours or more in a month complaining or listening to others' complaints about their peers, subordinates, bosses or management. The more alarming fact is that one-third of the employees spend 20 hours or more per month in this activity.

On a closer ethical angle, we have to ask the following three questions to ourselves:

1. Will this criticism help our organisation?
2. Will it help the person I am talking about in terms of reforms?
3. Will this help me in my job?

### Question

Suggest an ethical action plan to stop this lead practice of whining at work.

*Notes*

## Keywords

---

***Philosophical Foundations:*** A normal interdisciplinary reference handbook in the field of business ethics.

***Ethical Relativism:*** Theory that embraces that morality is relative to the norms of one's culture.

***Teleological:*** A word derived from the Greek word "telos" which means an end.

***Deontology:*** A word derived from the Greek word "deon" which means duty.

***Egoism:*** The (ethics) theory that the pursuit of your own welfare in the basis of morality.

# Business and Society

UNIT

3

## UNIT STRUCTURE

- Introduction
- Social Orientation of Business
- Social Responsibility of Business
- Social Responsibility and Social Responsiveness
- Gandhian Philosophy of Wealth Management
- Social Audit
- Corporate Social Performance
- Summary
- Terminal Exercise
- Supplementary Materials
- Assignment
- Reference Books
- Learning Activities
- Keywords

## OBJECTIVES

*After studying this unit, you will be able to understand about:*

- ❖ The Social Orientation of the Business
- ❖ The Gandhian Philosophy and the Social Audit.

## Introduction

Both the concepts of ethics and social responsibility are most of the times used in an interchangeable way. The concept of doing business only to make profits is no longer appreciated by modern thinking. Paul Samuelson strongly advocated the idea of social responsibility of business. Peter Drucker felt that the first responsibility of any business is to make profit. Social responsibility is a good idea of giving back to the society in different forms. Many corporations contribute to different acts of social responsibility.

The free market is not really free. The majority of population endures hardships while a minority gains a lot. The global economy is threatened by a growing marginalized lower class and a privileged minority. Market fundamentalists believe that everything will become alright in a market economy.

In reality, things are worsening leading to more and more of problems. There is a great extent of human suffering in the world due to the growing economic disparities.



*Notes*

Adam Smith advocated capitalism as a complimentary system for a democratic society. It promotes freedom, independence and rewards initiative. Naturally, it encourages creativity, enterprise, innovation and responsibility. In reality, the marketplace is plagued by manipulation, advertisement and vanity. People are made to buy things they do not want. Lobbying and clever manipulation have resulted in more and more of complications. Market fundamentalism has put financial capital into the driver's seat. Some go to the extent of ending globalization itself. For example, Professor John Gray of the London School of Economics makes a case for ending globalization. The intention of Adam Smith was not to empower a new ruling elite but to promote economic benefits for all. He even suggested that some restrictions were necessary in the marketplace.

There are four levels of social responsibility, namely economic, legal, ethical and philanthropic. At the economic level, there is maximization of stakeholder wealth or value. Abiding by all laws and regulations come under legal level. Following the acceptable standards of behavior covers ethical level. At the philanthropic level, it is giving back to society.

Humanizing capitalism is the need of the hour. The economic system should be people-friendly. People have to change the system they have created. Social responsibility of business is a wonderful tool for the promotion of business ethics.

## Social Orientation of Business

---

### ❖ Industrial Growth and Quality of Population

A nation's welfare can be measured not only in terms of industrial prosperity, but also in terms of the quality of its population. Runaway population growth tends to breed poverty and brings about deterioration in the overall quality of life and living conditions of the people. Unemployment, poverty, and pollution in industrial cities invariably lead to tension, struggle, strife and crime.

Industrialization along with increase in pollution, urbanization and rapid growth of transportation bring about pollution of air, water and earth in a massive way. Pollution of whatever kind is dangerous to the health of the populace. It causes misery, disease and death more especially in the weaker sections of the population. The consequences of rapid growth of population and oppressive and abject poverty can be seen in the gaunt faces of hungry men, women and children living in slum areas of the well known industrial cities. At present, nearly half of humanity is undernourished as a result of there being less food per person today than it was 30 years ago on this planet.

The present pressing need of India is not only family planning, nor only population literacy and education, not only the removal of poverty and unemployment, but the need for population planning and distribution. The Indian people should identify themselves with rural India and not with the elite urban pockets. Rural India comprises 80% of the Indian population. Its problems and difficulties are innumerable and deserve the special attention of all the educated people living in cities and towns. The present situation calls for a new attitude towards rural India. Creating awareness, to whatever extent, amongst the rural people, of the new possibilities of development is very necessary, but it is not taking practical shape as a result of uncaring and negligent attitude of the new generation of urbanites. It is up to the young educated graduates and intellectuals who now flock to metropolitan centres to turn their attention to the rural areas and inculcate a scientific temper amongst the rural people and thereby help them in ridding themselves of ignorance, superstition and aversion to change. Change should be the rule of life in rural India. That change is most needed which brings about a healthy transformation of the life, and a scientific manner of thinking. This tremendous dormant power of rural India

*Notes*

should be put to its potential use. Of course, it is up to the planner, the social reformers, the government authorities, the corporates and the media to educate, reform and motivate the villagers and prevent them from becoming indolent and helpless. Further, the nationalized banks, the co-operative banks, financial institutions, not-for-profit social service organizations, business houses and research organizations have a significant role to play in bringing about rural change and transformation. It is necessary to assist the farmers and enable them to realize their dreams, the artisans to earn their livelihood and the villages to contribute their most important share to national development—and reap the rewards by joining the national mainstream.

The world of entrepreneurs and corporate also has a tremendous role to play in this crucial undertaking. It should not live any longer in its slumbering world thinking that the Community Development Programmes, Panchayat Raj and the Marginal Farmers Development Agencies and the like take care of the villages. It is up to the entrepreneurs to usher in a new economic order. This is only possible when industries – cottage and small scale – are set up in rural areas and the educated and unemployed technicians are made to join them and contribute their share to rural development.

It is only in a rural atmosphere that challenges should be provided to our youth who now throng the employment exchange offices. They should be made to realise that their personalities can develop only when they attain self-knowledge and self-reliance, along with a capacity for objective judgment followed by meaningful action.

Further, industrial growth in the urban centers, along with the over-crowding and squalor, does not mean economic growth but economic disorder, pollution and collapse of urban infrastructures. A programme of population re-distribution and drift from urban to back to rural areas, is needed to be chalked out in the interests of population quality and economic order. City-living is not civilization. It is education that produces civilized beings and rational thinkers. In the words of George Slocombe, “Civilization is chiefly a high sense of the essential aspect of Mankind, a respect for the dignity of man, which expects an equal respect in return and an unlimited curiosity of the mind”.

“Work for the welfare of the rural masses” becomes a meaningless slogan of the politicians if the businessmen and industrialists turn a deaf ear. The need of the day is not urban ideology but rural pragmatism, for it is only against the touchstone of rural development that we can measure our true progress. As Gandhiji said, ‘India lives in the villages’. India can never become a developed country if rural India is mired in misery and poverty.

Unless the world of business and industry grows in mind and wisdom, the future quality of our population faces very bleak prospects indeed.

## ❖ Growth and Prosperity of Industries

The following verses are self-explanatory. They point out the factors that contribute to the sound growth and prosperity of different industries. The words “up in the sky we stare!” imply that when a suitable climate for the different industries for their growth does not exist, and when Business does not realize its social responsibility (“no-where”), then any amount of talk on industrial growth – in the absence of its contribution to society – becomes unethical and meaningless and useless as an empty stare into the sky.

### Industry Thrives: Where?

Industry... where is it?

In plans of Marshal-ranks,

In plants of steel and tanks,

In mills where millions bake,

*Notes*

In mines of golden-make,  
If not where and why?  
Is it?

In iron, copper and petroleum oil,  
In tin and aluminum foil,  
In markets where suppliers beginning tend,  
In peoples' demands knowing no end,  
If not, where and why?  
Is it?

In cement, glass and textiles,  
In metals, chemicals, bricks and tiles,  
In ships and vehicular motor parts,  
In Banking, Communication and Carrier-Crafts.  
If not, where and why?  
Is it?

In factories of 'Public' men-make,  
In places where working-pilgrims toil,  
In strengths and hopes that budding boil,  
If not, where and why?  
It isn't there!

Where labour knows no dispute, or wages refuse,  
Where employer neither differs nor accuse,  
Where walk-outs thrive not abuse,  
Where no chance to devils of corrupt-use,  
If not, where and why?  
It isn't there!

Where product-index appreciates,  
Where cost-index depreciates,  
Where standard-living upward trends,  
Where jobless-misery downwards bends,  
If not, where and why?  
It isn't there!

Where prosperity leaping to export trends,  
Where Business to social responsibility attends,

Where a Nation marching enchantment lends,  
 if dare we answer: "no-where",  
 Then up in the sky we stare!

*Notes*

## Social Responsibility of Business

Business is dependent on society. Its existence is due to people living within a social structure. To survive and thrive, business should earn the goodwill of the people living in its operational environment. The goodwill of the people is necessary, for without it business has no relevance. Even though every type of business organization is motivated by profit on the basis of its risk-taking capacity and the capabilities of its employees, it still has to fulfill certain social obligations for the purpose of promoting social welfare. Hence, business must serve the people for its survival. Service should be rendered with the spirit of helpfulness.

Many companies are at present incorporating many features of social responsibility in all their mission and vision statements. Public welfare should in no way be affected by the results or consequences of business happenings. There is socio-economic obligation that is thrust on every business firm. It is the primary duty of every business to nurture, develop and strengthen its human resources in an effective manner. A business organization must necessarily motivate its employees towards development, growth and advancement. It is imperative for every business firm however large or small it may be, to be more humane and humanistic and thereby, promote worthy human values within its organization.

Today's business is essentially a mixture of social help, self-interest and good citizenship. In modern times, knowledge management, information technology and global competition are essential features that govern the interaction between business and society. The relationship is, basically, one of 'give and take' proper work and a conducive environment. These are necessary for every human being to make his life worthy and thereby develop one's self intellectually, ethically, emotionally and spiritually. Status and recognition in society are necessary features that make human existence meaningful and valuable. A worker's life gets enriched if harmony and peaceful relations are ensured by business organizations. Business organizations owe a sacred responsibility to the people by offering quality products at a fair price, thereby improving the quality of life for people. By means of environmental protection, safeguarding the public health by fulfilling various national responsibilities under various laws of the country and by ensuring fair trade practices, business organizations can discharge their responsibilities effectively. Though State regulation or state control are necessary, nonetheless a business that is self regulated is more conducive to guarantee consumer protection and safety.

If business firms are devoted to earning only profit, then, it may imply that it is disregarding environmental, social cost and hazards to the community. The health of a business organization in the long run is based on the activities in economic terms irrespective of the cost of surviving the consumers and society. Social performance of business is more appropriate than economic responsibility of business. This is because economic responsibility stresses on the proper utilization of the resources of the firm so as to adequately meet consumers' needs and wants. Even though every business firm has its own responsibility to generate revenues for itself, its shareholders and for the community, there should be no room for personal greed, unhealthy ambition and desire to accumulate excessive personal wealth. If companies realise their responsibility towards social welfare and do their best to pursue social objectives, then it is a laudable performance.

*Notes*

Business should play a dominant, benevolent, dignified and ethical role in discharging its responsibility towards the people and the nation by practicing values of respect and humanity with a non-corrupt approach and morally high conduct and character.

How corporate Business House Groups discharge their social responsibility can be seen from the following informative vision statement of the Aditya Birla Group: "At the core of The Aditya Birla Group's vision and its huge global presence lie enduring values: Integrity, Commitment, Passion, Seamlessness believed in these values that have driven its vision".

"The Aditya Birla Scholarship is our endeavor to encourage students who have the potential to emerge as tomorrow's value-based leaders".

### ❖ Arguments in Favor of Social Responsibility of Business

1. *Changing Social Values:* Social values like customer care, empowerment of the weak and sharing benefits are evolving in modern days.
2. *Long-run Benefits:* Making profit may be a short-term gain but CSR related activities give long run benefits.
3. *Image of Company:* CSR activities can promote the public image of the company.
4. *Benefit for Society:* The available managerial and financial resources of the corporations can be well-utilised for the overall benefit of the society.
5. *Welfare State:* In modern times, the concept of a welfare state is popular. Hence, CSR can supplement the activities of the government in the promotion of welfare.
6. *Giving Back to Society:* A business has grown by the support of society in different forms like consumers, suppliers and employees. Hence, there is a personal responsibility for the company to be involved in socially responsible activities.
7. *Stockholders' Delight:* Well-informed stockholders are happy that their companies are involved in CSR activities.
8. *Stakeholders' Happiness:* The different stakeholders like employees, customers and suppliers are also glad that their companies are associated with CSR activities. In fact, many young people prefer to join those corporations where CSR is active and dynamic.
9. *Solution to Social Problems:* The mounting social problems can be solved by the active involvement of the business corporations in CSR activities. Poverty, unemployment and illiteracy can be solved to some extent in the neighboring areas of operations.
10. *Overall Growth:* In modern times, there are scores of corporate failures due to moral failures, lack of good governance and erosion of values. The Due Care Theory strongly suggests that it is the responsibility of the producers to ensure that users' interests are not injured by their products. Such assurance leads to overall growth.

### ❖ Arguments against Social Responsibility

1. *Difficult to Measure:* It is difficult to measure social action with regard to its benefits. For example, the effects of bio-diversity promoted by a corporation cannot be measured.
2. *Against Profit Maximization Principle:* Many argue that business has to make profit and satisfy the shareholders.



Milton Friedman wrote:

“There is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

3. **High Cost:** The cost of social responsibility may be going on increasing for various factors like growth of population and inflation.
4. **Lack of Social Skills:** Business people may have a lot of business skills. But for implementing and managing CSR, they require social skills. Naturally, they delegate these tasks to others. In course of time, the sustained interest is declining.
5. **Lack of Public Support:** In countries like India, the public is not always supporting CSR. They feel that business firms are playing some tricks to capture public attention.
6. **Not Supported by Board of Directors:** In many companies, the Board of Directors is not supporting CSR activities. For example, many recessions hit companies feel that it is not the time for any CSR.

## ❖ Area of Social Responsibility

### Consumers

1. The quality of the goods or services should be good and customers should obtain a real worth for the price.
2. The price should be fair and reasonable.
3. The type of advertisement should be relevant and meaningful.
4. There should be fair treatment to the consumers. No discrimination should be made among the customers.
5. All the relevant and recent information should be provided to the customers. On any account, the customers should not be kept in darkness.
6. There should be an excellent customer service available to the customers at all times.

### Employees

1. Fair wages to be offered to maintain a decent standard of living.
2. The work environment should be safe and conducive.
3. HR policies to be formulated and executed to increase the efficiency.
4. Special training and educational opportunities have to be provided to the employees. Sometimes the employees are not able to understand the need for training.
5. Employees need the support of their employers in dealing with the physical, mental and emotional problems.
6. The labour welfare programmes have to be effective.
7. There should be an empowerment of labour so that it feels happy to work in the organization.

*Notes***Environment**

1. All forms of pollution should be reduced and controlled.
2. There should be a provision for recycling of wastes.
3. The management should provide for an efficient management programme.

**Government**

1. Regular payment of taxes in order to strengthen the hands of the government.
2. Implementing the policies related to business formulated by the government.

**Community**

1. To participate in the local development programmes and maintenance.
2. To find out measures to rehabilitate the displaced population.
3. To improve the business standards to meet the changing needs of the society.
4. Development of backward areas in order to achieve balanced regional development.
5. Promotion of research and development activities in all the areas of business.
6. Promotion of ancillary units and small scale industries can generate employment opportunities and promote the growth of entrepreneurs.
7. Promotion of social causes like adult education, health awareness, population control and sustainable development.
8. To build a better society in terms of values and mutual help.

CSR has an ethical dimension. To quote Henry Ford, "The management must provide those goods and services which the society needs at a price which the society can afford to pay".

**❖ Identification of Areas for CSR**

The areas of CSR can be identified through the following methods:

1. **Social Forecasting:** Social forecasting can be followed by observing the current social conditions and practices. For example, the growth of industries and overcrowded urban areas are sure to create many social problems, crimes, fall in values and breaking up of family ties.
2. **Opinion Surveys:** Opinion surveys can be conducted with the employees and population to find out the needs of the people of locality. Majority of the people want a healthy life and, hence, health related programmes are popular.
3. **National Issues:** Many CSR activities can handle the national issues like unemployment, poverty and inequality at their geographical level by starting many pro-development programs. Most of these national issues cannot be solved by the government only. For example, literacy can be promoted with the help of many agencies like government, voluntary and interest groups.
4. **Social Scanning:** An in-depth study of society can reveal the weaknesses of any society and point out the areas for improvement. Both the developing and developed societies have problems which can be reduced by CSR.
5. **Social Audit:** A careful social audit can reveal the problems of society. Some of these problems have to be tackled by the support and assistance of industry and business through CSR. For example, health awareness programmes can be supported by business firms.

## ❖ Global Compact 2000

Former U.N. Secretary General, Kofi Anan, called upon the corporate leadership in the world economy to join in a Global Compact in 2000 to make use of the creative forces of private entrepreneurs to address the need of future generations.

The Global Compact has ten principles of good business and good citizenship:

### *Human Rights*

1. Business should support human rights.
2. Human rights abuses have to be avoided.

### *Labour Standards*

3. Business should recognize the right to collective bargaining.
4. Forced and compulsory labour should be avoided.
5. Child labour should be abolished.
6. There should be no discrimination in employment.

### *Environment*

7. Business should meet the environmental challenges.
8. Business should promote greater environmental responsibility.
9. Environment-friendly technologies have to be developed and diffused.

### *Anti-corruption*

10. Business should work against all forms of corruption.

CSR Europe says:

“Corporate social responsibility is a powerful way of making sustainable competitive profit and achieving lasting value for the shareholder as well as for stakeholder. CSR and the reporting there of is a win-win opportunity, not just for companies and for financial investors but for society at large.”

To make CSR sustainable, an ethical perspective is necessary in the corporate administration and policy. It is impossible to be ethical alone. Ethics is working with other people, universality and demonstrability.

## ❖ ONGC India

ONGC is one of the major companies of India. From its inception, ONGC has consistently contributed to various CSR programmes. It has taken initiatives in health, education, infrastructure and culture. A percentage of profit is devoted to various socio-economic development programmes. It has drafted a corporate citizenship policy to provide an outline of the CSR initiatives of the company.

In India, CSR has become an essential activity for business. In its early period, ONGC focused on disaster relief management and water management projects. In 1999, when the eastern state of Orissa was affected by a cyclone, ONGC provided relief measures like food, drinking water, medicine and temporary shelters.

ONGC has been involving in various community development programmes like promotion of literacy and higher education by grants and scholarships.

Notes

ONGC took measures to reduce pollution and support conservation of resources through the utilisation of wastages in India. It has taken special efforts to protect environment. ONGC has set up an Institute of petroleum safety, Health and Environment Management to promote safety, health and environment standards in India.

## Social Responsibility and Social Responsiveness

The development of organizational theories in the last fifty years also emphasized an increased interest in Corporate Social Responsibilities (CSR). The society's expectations regarding the social obligations of a company are continuously changing, mainly influenced by different approaches in economic theory, socio-economic, political and cultural events affecting the business environment and a corresponding transformation of the social mentality that puts a pressure on the national or multinational companies. In response to these factors, business organizations around the world adapt their social responsiveness and the way they relate to different social responsibilities.

## Gandhian Philosophy of Wealth Management

Mahatma Gandhi gave the world an eternal philosophy that revolutionized human thinking and action in the social, economic and political spheres of human activity. Based on the tenets of *Satya* (truth) and *Ahimsa* (non-violence), he initiated social changes that transformed India from a medieval society into a progressive nation. He insisted on moral purity because he said that deeds of everlasting value for the benefit of mankind cannot be achieved by a person without moral purity. Gandhian philosophy is based on Truth, because 'Truth is God'. Hence faith in God, and His moral law and His mercy are absolutely necessary in life and living. Gandhian teaching's quintessentially consisted of the following fundamental principles of life: Non-violence in thought, word and deed; service; sacrifice; love; smile; kindness; compassion; humility; discipline; honesty; truthfulness; selflessness; prayer; hatred for untouchability; self-control, and not self-indulgence. He stressed on the importance of cottage industries and advocated the need to revitalize the rural economy. He insisted that every activity should be based on moral and ethical values. Gandhiji's action and vision symbolized the great ideal of India "*Vasudhaiva Kutumbakam*" (world is one family). Through his mission of non-violence, Mahatma Gandhi brought freedom to India. An enlightened and ethical leadership of this latter-day sage is the dire need in today's world which is crises-ridden, war-weary, and bedeviled by declining standards of public life due to corruption, violence, brutality, savagery, deceit, indiscipline and *adharma* (non-righteousness). Gandhi wanted to spiritualize politics. He would have strongly condemned 'commercialization' and 'criminalization' of political activities.

### ❖ Specific Values

He believed in the virtues of punctuality, dignity of manual labour, self-help, self-confidence, broad mindedness, toleration, and respect for all religions as they all lead to the same goal, i.e. Godhead. His was a spirit of compromise, without compromising principles and promoting a harmonious blend of principles and fair practices. An important teaching of Gandhiji is "The human body is a loan from God; It is a temple of God and hence we have no right to abuse it, or any part of it. It must always be kept fit, strong and pure. It is given to us to serve a three-fold object: first to know our maker and his moral law which rules the universe, second, to do such noble deeds as will benefit humanity, and third, to attain salvation from the cycle of births and deaths".

## ❖ Promotion of Ethical Values

Business activities can flourish if they are more humane, rational, ethical and customer oriented. Gandhian ideals and teachings should be inculcated in the minds of nation-loving, social-welfare-minded businessmen to uplift Indian business activity to glorious heights of ethical purity, national pride and dignity. Corruption of every kind, in every sphere of human and business activity, should be completely rooted out throughout the length and breadth of the country.

According to Swami Ranganathananda, "The *Mahabharata* speaks of three sources of energies in every human being – *bahubalam*, *buddhi-balam*, and *Atma-balam*. The first two, by themselves, are the sources of the erosion of values. They, especially *buddhi-balam*, will easily yield to every type of unhealthy temptation. The capacity to say 'no' to a temptation of bribery does not belong to the intellect or *buddhi*. On the contrary, it is our intellectuals and educated people that easily succumb to bribery and corruption and all sorts of other value erosions. Our educated people need re-education, said Vivekananda in his Madras lecture in 1897; but a little *Atma-balam* alone has the energy to say 'no' to every type of bribery and all other unhealthy temptations. Mahatma Gandhi's translation of the Gita is entitled *Anasakti Toga*. There can be no expression of the science of values or spiritual growth without this *anasakti* or detachment from the body and the little self presiding over it. That is the evolutionary path towards *Moksha* of spiritual freedom which is the goal of all evolution.

According to Morarji Desai, "Gandhiji's strength was moral strength. When the military and police could not succeed in stopping the post-partition communal carnage in Bengal and Bihar, Gandhiji succeeded, which made Lord Mountbatten describe him as the "One-man boundary force" against violence. A dedicated band of people, though their number is small, can take on the big task of cleansing the Augean stables of corruption if they are imbued with the 'Soul force' of Gandhiji.

Mahatma Gandhi's dream of rural upliftment can be realized if rural poverty and suffering can be eradicated on the basis of the steps contained in the following paragraphs, they being self evident:

## ❖ Electrification of Villages

- If the present-day high-technology synergizes with the locally available resource or 'Biomass', it is said that the 600 million tons of agricultural residues that India generates every year can theoretically produce 70,000 MW of electric power. "A hi-tech biogas producer can generate biogas with energy of about 13 MJ per kg of biomass, which is similar to that produced by burning these residues in a power plant.
- By feeding freshly harvested biomass into biogas reactors, gas can be produced thereby saving energy and time. Besides, the slurry can be used as an excellent fertilizer and soil conditioner.
- Biogas-powered diesel gensets can produce clean drinking water as a by-product.
- By using locally available raw materials like cowdung and biomass in the biogas reactors, it is possible to supply gas not only for power generation but for cooking and other purposes.
- Additional biogas can be used for running two-wheelers and modified autorickshaws on the roads in the villages and rural areas, where CNG pipelines are yet to reach. This will also help prevent atmospheric pollution and improve the quality of rural life.

## Notes

## ❖ Social Justice According to Gandhiji

Gandhi's philosophy of management was based on trusteeship and service to the poor through 'Charkha' and 'Khadi'. Khadi epitomized for Gandhiji the decentralization of the processes of production and distribution of various necessities of life. According to him, power from centralized production tended to be concentrated in the hands of just a few persons and therefore, it intensified existing inequalities and widened the gulf between the rich and poor. This tendency brought about conflicts between labour and capital. Khadi meant the beginning of economic freedom and equality in the country. Gandhiji stated that decentralized methods of production would ensure conditions of social justice and thereby make it possible for all the partner producers to enjoy the benefits resulting from their productive efforts. Hence, to Gandhiji, equality was necessary to ensure happiness to his fellow-human beings.

According to Vaikunth L Mehta, "Gandhi gave a new interpretation to the gospel of Swadeshi which was being propagated to redress the imbalance between agriculture and industries. The wholesale Swadeshi mentality, he averred, should denote a determination to find all the necessities of life in India. This was possible, he believed, with the aid of the labour and intellect of the villagers. He had no doubt that, if the proper atmosphere was created, all our wants could be supplied from our villages".

If modern business is to be guided by Gandhian philosophical, ethical and moral behaviour, then it is necessary to ensure that the following sins are not committed:

- Politics without principles,
- Education without character,
- Commerce without morality,
- Pleasure without conscience,
- Wealth without work,
- Science without humanity,
- Worship without sacrifice.

## ❖ Seven Points of Mahatma Gandhi

Mahatma Gandhi's article (Feb 1942), 'My 7 points for a New World Order' published by *The Rotarian* in Jan 1986, an international magazine for business and professional men, states the 7 points of Mahatma Gandhi as:

- **Equal Distribution:** Each man shall have the wherewithal to supply all his natural needs and no more.
- **Individual Action:** No one need wait for anyone else in order to adopt a right course.
- **The Role of the Wealthy:** The rich man will be left in possession of his wealth, of which he will use what he reasonably requires for his personal needs and act as a trustee for the remainder to be used for society.
- **Servant of Society:** As soon as man looks upon himself as a servant of society, earns for its sake, spends for its benefit, then purity enters into his earning and there is 'ahimsa' in his venture
- **Ahimsa** [to refrain from harming any living being].
- **The law of U. J.** To try to root out religion from society is a wild-goose chase.



- **Non-violent Cooperation:** Man has been conversant with violence from the beginning, for he has inherited this strength from the animal in his nature. It was only when he rose to the state of a man that the knowledge of the strength of *ahimsa* entered his soul. If this knowledge were to spread amongst the poor, they would become strong and learn how to free themselves by means of non-violence from the crushing inequalities which have brought them to the verge of starvation.

## ❖ Human Culture and Civilization

Human culture is characterized by its involvement with the material and non-material aspects of life and living. Material objects consist of buildings, automobiles, factories, machines, furniture, gold, silver, precious gems, paintings, sculptures, works of art, books, utensils, dresses and other tangible things. These material objects are sensory as they appeal to the senses, and make people happy by catering to their pleasure, comfort and enjoyment.

The non-material aspects consist of such things as philosophy, literature, languages, religion, science, law, jurisprudence, ethics, morality, social and political theories, management science, etc. These involve the related subject matter, norms and values, to be understood and practically followed.

Values that arise as a result of norms of life and living predominantly prevail upon the material possessions and form the basis of culture. Appropriate culture is a synthesis of Truth, Beauty and Goodness. This trinity is God—'Satchitananda'. Indian culture is based on spiritual aspects. While the behavioural essence of an individual constitutes his culture, the mass outlook and living of people constitutes civilization. Culture is the centre and civilization is the circumference of a time-circle. According to Mahatma Gandhi, "Civilization, in the real sense of the term, consists not in the multiplication but in the deliberate and voluntary reduction of wants. This alone promotes real happiness and contentment, and increases the capacity of service". Will Durant states that "civilization begins with order, grows with liberty and dies with chaos". Sri Sriprakasa explains that "while civilization is the result of knowledge and great, painful researches in diverse fields, culture is the result of wisdom".

Morarji Desai in his autobiography, *The story of my life* writes, "Today, it is often said that Mahatma Gandhi's thoughts and working methods have been totally forgotten and are not relevant. But, this is a superficial judgement. Mahatma Gandhi's teachings are based on eternal principles and are always useful. They can, therefore never disappear from the world". "Mahatma Gandhi made heroic efforts to imbue all thought and action with religious awareness. The fact that he is acknowledged as the 'Father of the Nation' is proof of his not being forgotten. I firmly believe that, if he is forgotten, the country will perish".

## Social Audit

### ❖ Evolution of Social Audit

Governments are facing an ever-growing demand to be more socially responsible and the people are becoming more self-confident about their rights to be informed and to influence governments' decision-making processes. Faced with these vociferous demands, the executive and the legislature are looking for new ways to evaluate their performance. Civil society organisations are also undertaking social audits to monitor and confirm the social performance claims of the organisations and institutions.

## Notes

Social Audit is a tool with which government departments can plan, handle and measure non-financial activities and monitor both internal and external consequences of the department/organisation's social and commercial operations. It is an instrument of social accountability for an organisation. In other words, Social Audit may be defined as an in-depth scrutiny and analysis of the working of any public utility *vis-à-vis* its social relevance. Social Audit gained significance especially after the 73 Amendment of the Constitution connecting to Panchayat Raj Institution.

### ❖ Need for Social Audit

The purpose of conducting Social Audit is not to find fault with the individual functionaries but to assess the performance in terms of social, environmental and community goals of the organisation. It is a way of measuring the extent to which an organisation lives up to the shared values and objectives it has committed itself to. It provides an assessment of the impact of an organisation's non-financial objectives through systematic and regular monitoring, based on the views of its stakeholders.

### ❖ Objectives of Social Audit

The objective of social audit is to authorize people to question the system, process and authority in order to assert their rights. Another objective is to bring simplicity and check corruption through democratic processes. Transparency here is not merely display of information on a board mentioning total predictable budget and total expenditure or broad framework of the programme. It is about providing detail of head wise budget and expenditure with copy of bills and vouchers in case of finance and copy of other appropriate records to help people understand detail of the process adopted including all decisions taken and selections made.

Another objective of social audit is to assist an implementing agency to know and identify its critical areas of improvements and how most excellent the programme can be implemented through people's participation. It's a means towards successful implementation of programme for the people and by the implementer. Taking into account the views of most vulnerable people in the society as well as single-women headed family, people with disability, uncared aged and poorest of the poor is another significant objective of social audit.

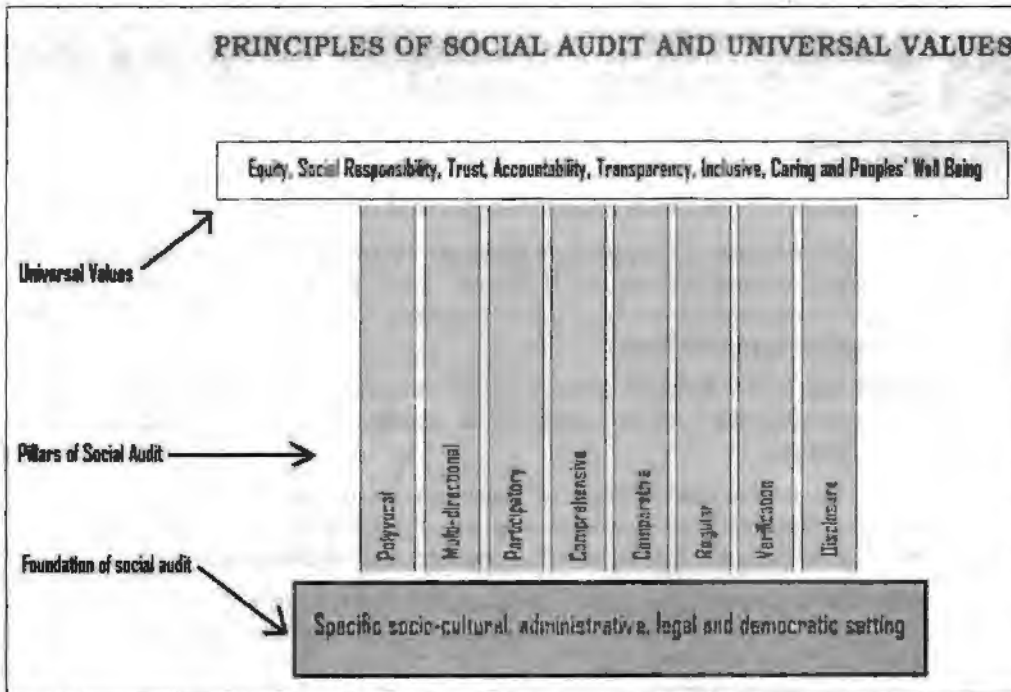
### ❖ Features of Social Audit

The primary principle of social audit is to achieve continuously improved performances in relation to the chosen social objectives. Eight specific key principles have been recognized from Social Auditing practices around the world. They are:

- **Multi-Perspective/Poly-vocal:** Aims to reflect the views (voices) of all those people (stakeholders) concerned with or affected by the organization/department/programme.
- **Comprehensive:** Aims to (eventually) report on all aspects of the organisation's work and performance.
- **Participatory:** Encourages participation of stakeholders and sharing of their values.
- **Multidirectional:** Stakeholders share and give feedback on multiple aspects.
- **Regular:** Aims to produce social accounts on a regular basis so that the concept and the practice become embedded in the culture of the organization covering all the activities.

- **Comparative:** Provides a means, whereby, the organization can compare its own performance each year and against appropriate external norms or benchmarks; and provide for comparisons with organizations doing similar work and reporting in similar fashion.
- **Verification:** Ensures that the social accounts are audited by a suitably experienced person or agency with no vested interest in the organization.
- **Disclosure:** Ensures that the audited accounts are disclosed to stakeholders and the wider community in the interests of accountability and transparency.

The following figure depicts the principles of Social Audit and universal values.



These are the pillars of Social Audit, where socio-cultural, administrative, legal and democratic settings form the foundation for operationalising Social Audit. The Social Audit process is intended as a means for social engagement, transparency and communication of information, leading to greater accountability of decision-makers, representatives, managers and officials. The underlying ideas are directly linked to concepts of democracy and participation. The application of Social Audit at the village level holds tremendous potential for contributing to good local governance and increased transparency and accountability of the local bodies.

### ❖ Benefits of Social Audit

The benefit of social audit is very wide and not limited to a particular scheme or activities or area. It can be taken up at village level, GP level or even block or district level depending on nature of work and programme. Similarly it can be organized on a single activity or collectively taking more than one activities together applicable in that specific area.

## Corporate Social Performance

Corporate Social Responsibility Practices in India sets a sensible agenda of grassroots development through alliances and partnerships with sustainable development


*Notes*

approaches. At the heart of solution lies intrinsic coming together of all stakeholders in shaping up a distinct route for an equitable and just social order.

CSR is not new to India, companies like TATA and BIRLA have been imbibing the case for social good in their operations for decades long before CSR become a popular cause. In spite of having such life size successful examples, CSR in India is at a very nascent stage. It is still one of the least understood initiatives in the Indian development sector. It is followed by a handful of public companies as dictated by the very basis of their existence, and by a few private companies, with international shareholding as this is the practice followed by them in their respective foreign country. Thus, the situation is far from perfect as the emphasis is not on social good but rather on a policy that needs to be implemented.


**REVISION POINTS**

1. Business is not only an economic function but also a social function.
2. The socio-economic obligation of business refers to its obligation to prevent economic consequences of business from adversely affecting public welfare; responsible for forcing the business to recognize and honor the new social responsibilities.
3. There are four important groups which influences and are influenced by business and business is supposed to accept its responsibilities towards these groups.
4. Major Social Responsibilities of Business is to use the resources in a judicious manner in an optimum way, i.e., they should not waste, misutilise, damage or cause to deteriorate the resources at its disposal.
5. A business should offer quality product at fair prices to society and should follow fair trade practices of business. Business can perform various functions to develop the local area.


**INTEXT QUESTIONS**


1. Define social responsibility. In recent times what factors have influenced the social responsibility?
2. Discuss the various responsibilities of the business to its various stake holders.
3. "Expenditure on social responsibility is not an expenditure rather it is an investment". Discuss the statement.
4. What are the various social responsibilities a business should perform?
5. Discuss how organizations are using social responsibility strategically.

## Summary

CSR is the idea of giving back to society in different ways and forms by the business corporations. There are four levels of social responsibility, namely economic, legal, ethical and philanthropic. At the economic level, there is maximization of stakeholder wealth or value. Abiding by all laws and regulations come under legal level. Following the

acceptable standards of behavior covers ethical level. At the philanthropic level, it is giving back to society.

Today's business is essentially a mixture of social help, self-interest and good citizenship. In modern times, knowledge management, information technology and global competition are essential features that govern the interaction between business and society.

*Notes*

Former U.N. Secretary General, Kofi Anan, called upon the corporate leadership in the world economy to join in a Global Compact in 2000 to make use of the creative forces of private entrepreneurs to address the need of future generations. The Global Compact has ten principles of good business and good citizenship.

Business activities can flourish if they are more humane, rational, ethical and customer oriented. Gandhian ideals and teachings should be inculcated in the minds of nation-loving, social-welfare-minded businessmen to uplift Indian business activity to glorious heights of ethical purity, national pride and dignity.

## Terminal Exercise

---

Fill in the blanks:

- ..... analysis is an effective tool to measure the increment in shareholders wealth.
- CSR stands for .....
- ..... felt that the first responsibility of any business is to make profit.
- ..... Adam Smith advocated capitalism as a complimentary system for a democratic society.
- ..... is a tool with which government departments can plan, handle and measure non-financial activities and monitor both internal and external consequences of the department/organisation's social and commercial operations.

## Supplementary Materials

---

<http://www.wikipedia.org>

[www.indiaonestop.com/serviceindustry.htm](http://www.indiaonestop.com/serviceindustry.htm) - 57k

[business.mapsofindia.com/sectors/service.html](http://business.mapsofindia.com/sectors/service.html)

[www.iloveindia.com/economy-of-india/service-sector.html](http://www.iloveindia.com/economy-of-india/service-sector.html)

[www.icfaipress.org](http://www.icfaipress.org)

[www.tutor4u.com](http://www.tutor4u.com)

[www.managementlogs.com](http://www.managementlogs.com)

[www.globalethicsuniversity.com](http://www.globalethicsuniversity.com)

[www.bus.lsu.edu.com](http://www.bus.lsu.edu.com),

[www.buzzle.com](http://www.buzzle.com).

[www.allbusiness.com](http://www.allbusiness.com).

[www.icai.org.pdf](http://www.icai.org.pdf).

[www.jdhr.org.pdf](http://www.jdhr.org.pdf).

[www.forensicaccounting.com](http://www.forensicaccounting.com).

www.forensic.com  
www.rtedwards.com

*Notes*

## Assignment

---

Compare the CSR programmes of any two companies in your region.

## Reference Books

---

Mittal Vivek (2007), *Business Environment*, Excel Books.

Bedi Suresh (2006), *Business Environment*, Excel Books.

Mishra, Puri (2006), *Economic Environment of Business*, Himalaya Publications House.

Spiro George W. (1993), *The Legal Environment of Business*, Englewood Cliffs, NJ Prentice Hall.

Starling, Grower (1996), *The Changing Environment of Business*, Cincinnati, OH, South Western College Publishing.

Weidenbaum, Marray L. (1999), *Business and Government in the Global Market Place*, Upper Saddle River, NJ Prentice Hall.

## Learning Activities

---

1. Prepare a report on the steps taken by TATA for the well being of society.
2. Prepare a report on the impact of e-chaupal on the rural life.

## Keywords

---

**CSR:** Corporate Social Responsibility

**Global Compact 2000:** Ten principles of good business and good citizenship

**Social Responsibility:** An ethical ideology or theory that an entity, be it an organization or individual, has an obligation to act to benefit society at large.

**Social Responsiveness:** Actions that protect and improve the welfare of the society along with its own interests.

**JED:** Jahangir Ratan DadaBhai Tata.



# Values and Work

UNIT

## UNIT STRUCTURE

- Introduction
- Characteristics of Values
- Types of Values
- Importance of Values
- Difference between Values and Skills
- Managing Leadership Values
- Corporate Values
- Business Culture and Values
- Human Values for TQM
- Quality Leadership
- Indian Ethos for Management
- Work Ethics
- Work Culture
- Corporate Culture
- Summary
- Terminal Exercise
- Supplementary Materials
- Assignment
- Reference Books
- Learning Activity
- Keywords

## OBJECTIVES

*After studying this unit, you will be able to understand about:*

- ❖ The characteristics of Values
- ❖ The difference between Values & Skills
- ❖ The Indian Ethos for Management and the Corporate Culture.

## Introduction

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. 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

*Notes*

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.

There is growing recognition that good ethics can have a positive economic impact on the performance of firms. Many statistics support the premise that ethics, values, integrity and responsibility are required in the modern workplace. For consumer groups and society at large, research has shown that good ethics is good business.

Business Ethics is the study and evaluation of decision-making by businesses according to moral concepts and judgments. "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 stakeholders" – Cater Mcnamara.

Ethical questions range from practical, narrowly defined issues, such as a company's obligation to be honest with its customers, to broader social and philosophical questions, such as a company's responsibility to preserve the environment and protect employee rights. Many ethical conflicts develop from conflicts between the differing interests of company owners and their workers, customers, and surrounding community. Managers must balance the ideal against the practical viz., the need to produce a reasonable profit for the company's shareholders, with honesty in business practices, safety in the workplace, and larger environmental and social issues. Ethical issues in business have become more complicated because of the global and diversified nature of many large corporations and because of the complexity of government regulations that define the limits of criminal behavior. For example, multinational corporations operate in countries where bribery, sexual harassment, racial discrimination, and lack of concern for the environment are neither illegal nor unethical or unusual. The company must decide whether to adhere to constant ethical principles or to adjust to the local rules to maximize profits. As the costs of corporate and white-collar crime can be high, both for society and individual businesses, many business and trade associations have established ethical codes for companies, managers, and employees. Government strives to encourage companies to adhere to ethical standards.

## Characteristics of Values

---

The Sanskrit word for value, *Ishta*, means 'the object of liking'. The term value may, therefore, be defined as 'that which is desired'.

According to Stephen P. Robbins:

*A value is an enduring belief that specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.*

Edward Springer defines values as:

*The constellation of likes, dislikes, viewpoints, inner inclinations, rational and irrational judgments, prejudices, and association pattern that determine a person's view of the world.*

Values are the deep-seated ideas and feelings that manifest themselves as behavior or conduct. The true reflection of one's values is his/ her action. Values are what we, as a profession, judge to be right. They are more than words—they are the moral, ethical, and professional attributes of character.

1. Values tend to be relatively stable and enduring. A significant portion of the values, we hold is established in our early years from parents, teachers and others. So, these values are originally learned.

*Notes*

2. Values constitute the foundations of one's character. They are at the core of personality and a powerful force affecting behavior.
3. Values are abstract representation of what people believe to be right, proper and worthwhile to pursue.
4. Some values are not fixed, but they change over time and situation.
5. Values have intensity and content attributes in which the content attribute says that a mode of conduct or end-state of existence is important and the intensity attribute explains how important it is.
6. The values which are internalized by an individual, become a part of his personality, then they go beyond the zone of choice for the person concerned. His action based on these values then become spontaneous and continuous, automatic and instinctive.

## Types of Values

---

According to M. Rokeach (*The Nature of Human Values*, New York; Free Press 1973), there are two types of values which are discussed below:

### Instrumental Values

The values which concern the way we approach the end states. These relate to means for achieving desired results. That is, do we believe in ambition, cleanliness, honesty or obedience, courage, etc.

Some are like:

- Hard work and achievement.
- Education and intellectual pursuits.
- Self-sufficiency; independence.
- Truthfulness; honesty.
- Assertiveness; Standing up for yourself.
- Being well-mannered and courteous towards others.
- Open-mindedness; receptivity to new ideas.
- Caring towards others.

### Terminal Values

They are those end state goals that we praise such as comfortable life, a sense of accomplishment, equality among all people.

- Happiness; satisfaction in life.
- Peace and harmony in the world.
- Knowledge and wisdom.
- Pride in accomplishment.
- Security; freedom from threat.

Both sets of values have significant influence on daily behavior at work.

*Notes*

## Negative and Positive Values

The values can also be categorized as negative and positive values which denote a sense of right or wrong, good or bad and other judgmental criteria based on one's strong sense of what the ideal ought to be.

- Anger
- Meanness
- Arrogance
- Crookedness
- Greed
- Lust

They generate negative thoughts.

- Integrity, honesty
- Truthfulness
- Kind heartedness, humility
- Friendliness
- Faith
- Self-respect
- Open mindedness
- Creativity
- Civil sense
- Simplicity
- Forgiveness
- Poise
- Detachment, etc.

They generate positive thoughts.

## Importance of Values

Ethics is based on a set of moral and ethical values. These values must be absolute - that is, you must take them seriously enough to override any human rationalization, weakness, ego, or personal faults. When all else fails, you will always look back to these core values to guide you. Unfortunately, life is not that easy and there's always disagreement about what values should be considered supreme.

Luckily, in the world of business ethics, employer helps you and their values are your values in the context of work. Your freedom to choose your own ethical values is somewhat limited. Look behind successful, honest businesses and you will see a set of values that have stood the test of time. Think about how these values are communicated in an organization and what can be done to support them.

Mahatama Gandhiji, the father of the nation strongly propagated the following values which were also advocated and most of them were practiced in the companies of JRD, Tata.

- **Honesty:** The old adage, “honesty is the best policy” is true today more than ever. It’s not just lip talk. Employee manuals from most scandalized corporations are likely to contain slogans touting its commitment to honesty. Claiming to be honest in an employee manual is passé.
- **Integrity:** Integrity connotes strength and stability. It means taking the high road by practicing the highest ethical standards. Demonstrating integrity shows completeness and soundness in your character and organization.
- **Responsibility:** Blaming others, claiming victim hood, or passing the buck may solve short-term crises, but refusal to take responsibility erodes respect and cohesion in an organization. Ethical people take responsibility for their actions. Likewise, actions show the ability to be responsible both in the little and big things.
- **Quality:** Quality should be more than making the best product, but should extend to every aspect of your work. A person who recognizes quality and strives for it daily has a profound sense of self-respect, pride in accomplishment, and attentiveness that affects everything. From your memos to your presentations, everything you touch should communicate professionalism and quality.
- **Trust:** There’s no free ride. Trust is hard to earn and even harder to get back after you’ve lost it. Everyone who comes in contact with you or your company must have trust and confidence in how you do business.
- **Respect:** Respect is more than a feeling, but a demonstration of honor, value, and reverence for something or someone. We respect the laws, the people we work with, the Teamwork. Two or more employees together make a team. It is a business necessity to work openly and supportively in teams whether formal or informal.
- **Leadership:** How many hardworking, honest employees have been ruined and lost by corporate leadership failings? Managers and executives should uphold the ethical standards for the entire organization.
- **Corporate Citizenship:** A foundational principle for every company should be to provide a safe workplace, to protect the environment, and to become good citizens in the community.
- **Shareholder Value:** Without profitability, there is no company. Every employee should understand how he or she fits into the profitability picture. Everyone’s common goal should be to build a strong, profitable company that will last long.

## Difference between Values and Skills

The basic problem the world faces today is centered on values and perspectives. We find that knowledge and skills are being rewarded while human values suffer banishment. Knowledge and skills will not be as destructive if values are restored in everyday life. Values and ethics are central to any organization; those operating in the national security arena are no exception. What exactly do we mean by values and ethics? Both are extremely broad terms. If we know the consequences of our action, we can convert values into rules of behavior that can be described as ethics.

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

Any initiation of an action begins with an inventory of values. These get converted to intentions for action, which then get articulated as actual behavior. All these behaviors result in consequences to oneself as well as to others. They either damage or enhance the

## Notes

values of the affected person. One of the important lessons to learn in ethics is to see life as it is, without our perceptions and attitudes distorting it to fit in with what we want to see it. All of us react, not to reality itself, but to our own interpretation of reality. Our behavior is affected not by particular situation but how we see and what we see in that situation. When we describe the world around us or people in it, we in effect describe ourselves, our perception, attitudes, our morality and our ethical value system.

Human values refer to orientation towards what is considered desirable or preferable by people living in a society (Rokeach, 1973). So, how do values relate to ethics, and what do we mean by ethics? "Values are what we, as a profession, judge to be right." Individually or organizationally, values determine what is right and what is wrong, and doing what is right or wrong is what we mean by ethics. To behave ethically, is to behave in a manner consistent with what is right or moral.

Ethics mainly deals with ideals which seeks to determine norms, ideals, standard or values. Three important ideals of human life are truth, beauty and goodness, thinking, feeling and willing - *satyam, shivam and sundaram*. Ethics is a branch of philosophy dealing with right and wrong in human behavior. Most religions have a moral component, and religious approaches to the problem of ethics. *Ramayana* and *Mahabharata* form the very basis of cultural consciousness that symbolize Hinduism.

Kautilya says that artha is the most important; dharma and karma are both dependent on it. Values and ethics have become the buzz word in business world. Ethics in business and Indian ethos has been accepted as a subject of study in big business schools across the country. It has got a strong contemporary relevance. Environmental ethics has also assumed greater importance. It is the part of environmental philosophy which considers the ethical relationship between human beings and the natural environment. In every human activity whether it is pure science, political science or environmental science, we need to follow the practices which are best for the welfare of the humanity worldwide.

Ethics essentially is a social phenomenon. It deals with the ideals involved in human conduct, the standards of rightness and wrongness, good and evil involved in conduct. That which is approved by the society is ethical or moral. Murder, theft, etc. can be considered as immoral activities. Morals and values were considered most important in ancient India. This country of rich culture believed to be created by God is full of values and virtues. Even the battles in India were based on values (*Dharma Yudh*). The war at Kurukshetra was the one fought at Dharmakshetram (Battle ground of values). Ancient human society followed certain basic values in their life. Rishis starting from Viswamitra to Vivekananda and/or Sankaracharya to Sivananada taught their disciples' morals through their writings like *Ramayana, Mahabharat, Sukraniti, Viduravakyam, Nitisatakam, Arthasastra* and *Tirukkural*. Modern world deals with several ethics which includes business ethics, medical ethics, professional ethics, educational ethics, environmental ethics, bio-ethics, eco-tourism ethics, cyber-ethics, etc. All these need to be taught at different level, for the welfare and peace of the society. Most religions have a moral component, and religious approaches to the problem of ethics historically dominated ethics over secular approaches. Many believe that the Golden Rule, which teaches people to "treat others as you want to be treated", is a common denominator in many major moral codes and religions.

Moral values are most important for mankind. The quality of human action is the manifestation of one's behavior which in turn is a product of culture and values. In the modern world, we need to inculcate ethical practices in order to maintain the quality of life and perfection. This is the pathway to excellence. In every human activity, we need to follow the practices which are best for the welfare of the world.



## Managing Leadership Values

---

The following are some of the leadership values:

- A leader must be committed to a righteous cause that is above his personal interest and selfish motives. He should be an idealist with perfect goal orientation.
- A leader should practice the ideals and principles he preaches. He should not be a hypocrite. While setting an example for others to follow, he should be a true leader, leading the way for others to follow, and facilitating their growth and development. In this respect, the *Bhagwad Gita* states; "Whatever a superior does, that alone others do, whatever standards he sets, the world follows".
- A leader should possess the quality of objectivity. His attitude should always be considerate, impersonal, unselfish and helpful without any air of superiority or pride.
- He should possess a complete knowledge of the various relevant matters, he deals with. He should seek the cooperation of his colleagues without an egocentric attitude. His work should be harmonious and peaceful with proper mental equanimity.
- A leader should always recognize the merits and the claims of his followers and colleagues. He should also provide adequate training so as to enable them to discharge their responsibilities properly.
- A leader should always be morally upright and should adopt ethical and healthy procedures.
- A leader should be skilful in enabling the employees of the organization to contribute quality in work performance and not merely "work for the sake of work". He should be persuaded to work with a sense of proportion in keeping with the traditions and the high values of the organization
- All the qualities of good leadership should ultimately lead to healthy work ethics for effective management.

## Corporate Values

---

The following should be the corporate values and objectives for every corporate body:

1. To introduce such measures as are likely to ensure that all the stakeholders operate in such a manner as to communicate a sense of high corporate responsibility.
2. To foster responsible and profit oriented products and services with due regard to the interests of the community and of the environment.
3. To promote a safe working environment for all the employees of the organization.
4. To operate to the highest level of accountability and transparency.
5. To ensure that business is carried out in accordance with the laws of the country.
6. To ensure effective corporate governance, it is necessary to avoid mistakes of the type given below:
  - (a) Wrong selection of personnel on the basis of favouritism and considerations such as language, caste, creed, colour, blood relationship, state, etc., leads to inappropriate functioning, low morale and losses.

*Notes*

- (b) Failure on the part of companies to retain efficient personnel and promote their welfare and prosperity by means of suitable rewards and motivation.
  - (c) Lack of proper encouragement to form effective and healthy teams to generate productivity.
  - (d) Want of promotion of quality circles which is also a contributory factor to corporate failure.
7. Corporates have to implement effectively a policy of retrenchment of all those inefficient, non-performing, disloyal, non-committed and inefficient staff.

## **Business Culture and Values**

---

Business culture is characterised by the behavioural characteristics of a business group. The culture of a society is represented by the regulatory phenomena of the members, their patterns of behaviour, forms of art and music, languages, customs, traditions, practices and beliefs. It may come as a surprise to many that business organizations also have their distinctive cultures. Business culture is the totality of the norms, beliefs and values that regulate the behavioural functioning of individuals or groups of persons operating within a corporate environment.

'Old established companies like Shell and Unilever have their individual cultures which have evolved over the lives of these corporations and set them apart from each other and from other firms. The culture of a firm is influenced by the culture of the country of its origin as well as the nature of its business. For instance, German chemical companies combine the German culture with some characteristics of chemical companies throughout the world. Japanese automobile companies are an amalgam of Japanese business culture with some of the distinct features of the global automobile industry. American oil companies retain their essentially American culture along with the common practices of the world petroleum industry. British banks and financial institutions combine their quaint British customs with many of the global norms which are shared with their counterparts on Wall Street or in Tokyo.

Indian companies will find it, increasingly, necessary to combine their peculiarly Indian ways of doing business with the global practices of the businesses they are involved in.

It is interesting to note that business culture has characteristics similar to those of a society:

Firstly, a culture that is alive and vibrant is one that is constantly evolving and changing, whether it is in business or in society. It is not rigid or stagnant. A progressive culture readily evaluates and responds to stimuli which emanate either internally or externally. It does not fear, resist or ignore stimuli without due evaluation.

Secondly, it is when cultures adapt and change that great progress occurs in a civilization or in a company. A historic example of such a change in culture of a society was the Reformation of the Christian Church in Europe under the leadership of Martin Luther. It propelled North Western Europe out of the Middle Ages into the modern scientific and industrial era. Religious leaders no more dictated whether the earth was round or flat or (in more recent times) how many children one should have. The dominance of the world by Western Europe and North America over the last four centuries can be attributed to this reformation of beliefs and cultures in the 16<sup>th</sup> century.

In contrast, the Southern part of Europe that hung on to fundamentalist beliefs lagged far behind. Religious fundamentalism of the type that existed among them at that time and the fundamentalism of the type we see today in parts of the Middle East have held societies down and prevented their progress. The Indian subcontinent, too, has its share

of fundamentalists in both major religious groups, who if they came to power, could set us back several decades or centuries. Fortunately, most Indians have grown away from religious fundamentalism and recognize the advantages of a secular culture.

The same is true in politics too. It is the fundamentalist attitude of the communist parties in Russia and Eastern Europe that held them back and kept them backward as compared to the rest of Europe. Fortunately, this particular brand of political fundamentalism is now fully exposed and discredited and most of the erstwhile communist countries are now embracing market oriented policies.

Nearer home, it is thanks to the myopic fundamentalism of the inward looking socialists who ruled our country for four decades before the present one, which left our economy behind by most of Asia. The willingness to break out of this regressive mindset and to embrace change is already showing results in the economy of India.

As in the case of religious or political groups, among business firms also there are fundamentalist cultures, that is, cultures that assiduously try to preserve what is considered to be the true, 'original' set of beliefs. The fundamentalists among them try to perpetuate their hold on the organization by upholding ancient traditions and invoking the name of God or Gandhiji or the founder of the Company as may suit the occasion. They feel secure with what is familiar and feel threatened by any change. These fundamentalist beliefs often include irrational pride in the traditions of the firm, although changed circumstances have made such traditions irrelevant if not counter-productive; promotional policies based on the old boy network rather than merit; tolerance of mediocre levels of competence; belief in the relative infallibility of people at the top, etc. Fundamentalism in business firms has not been recognized and written about as much as religious fundamentalism. This is because its manifestations do not include public eruptions of violence or strife. However, business fundamentalism does as much if not more damage as political or religious fundamentalism does. It is a very strong regressive influence in business as in society.

It was fundamentalism in several segments of industry both on the part of management and of labour that led to the decline of British industry in general before the Thatcher era. The old textile houses of Mumbai, mostly in a shambles today are a telling Indian example of decline caused by fundamentalist or "no-change attitude" on the part of management and of labour in that industry.

Large social migrations like that of the Aryans into the Indo-gangetic plain have created hybrid cultures. In a similar way, during the last few decades, we have seen the emergence of hybrid cultures created by multinational companies. They combine the strong cultural characteristics of a parent company with those of the local market. Like all hybrids, most of them have grown up to be stronger than their original mono-cultural organizations or their narrowly national competitors.

Over the next few decades, we will hopefully see the emergence of Indian multinationals which would combine the innate shrewdness and hardworking ethics of the Indian culture with the sophistication and strategic vision that characterise the Western business culture. In some ways Indian businesses, because of our inherent multi-ethnicity and greater facility with the use of English language, are in a better position than the Japanese or Brazilians or Koreans to create strong hybrid multinational business cultures. Now that the shackles have been removed from Indian industry, this is now a very real possibility.

Changes in culture of a firm as of societies occur when a leader provides stimulation with ideas that challenge tradition. Buddha, Shankaracharya, Martin Luther and Gandhiji did so within their own societies, the ripples spreading across the globe. In almost all successful business firms, there have been leaders who reinvented, energized and changed the culture and future course of those firms. In most cases, such changes are based on

*Notes*

retaining and developing what is good in an existing culture and adding to it new elements that will stimulate progress. A total rejection of all that is existing can be devastating. Therefore, the skill in reforming the culture of a company is to identify and retain the pride and honour in what is good while recognizing what is to be rejected or modified. At the same time the management of the firm should seek, generate and embrace new ideas and practices that can energize the firm and propel it forward with a new vigour.

The real test of these values comes from the resulting action. It takes a concerted, company-wide effort, beyond inserting these words in an employee manual, to make it happen.

- Management must lead by example. Good ethics should be most noticeable at the top. Every employee must be accountable to the same rules.
- Second, a corporate values or ethics initiative must be “sold” and “marketed” aggressively throughout a company. Every forum and medium should be used to spread the good message. Of course, it will only be credible if the company is practicing what it preaches.
- Third, training must be provided to get everyone on the same page. It’s easy to ignore a motivational speech or pass by a poster, but spending time learning about the issues will have a lasting impact.
- Fourth, it should last for a long period. The ethics fervor should extend to the next generation of employees. The longer it lasts, it gives expected effect. Despite failings of some, there is plenty of room at the table for good ethics and profitable business to reside. Together they can lay the cornerstone for a secure and prosperous society. Therefore, these values must be given proper place in employee manual.

## **Human Values for TQM**

---

The need for quality consciousness arises in every area of human endeavour including business and industry. Business and industry have to face challenges on account of privatization, liberalization and globalization, in the modern competitive world. It is an absolute necessity to ensure that manufactured products and services stand up to the expectations of the modern quality conscious consumers.

Quality is said to be lacking whenever and wherever situations such as the following take place:

- When the demand for certain goods diminishes due to reasons of quality and competition.
- When, due to high pollution, air for breathing and water for drinking become unsafe for terrestrial life forms, in particular, human beings.
- When airplane landings at certain airports become unsafe.
- When, due to improper diagnosis, medical prescriptions by dealing physicians become irrelevant.
- When inappropriate surgical operations are performed in hospitals due to haste and callous negligence.
- When, due to mismanagement of time, many precious working hours are lost in offices and organizations.

- When, due to lack of foresight in administrative planning, disasters cannot be properly and effectively averted or managed, resulting in avoidable loss of life and property.

Problems of the above type are innumerable. To cope with these problems, it is necessary to adopt quality standards. In this respect, the great industrialist Konosuke Matsushita (Professor of Leadership at Harvard Business School) states that:

“We are beyond the Taylor model; business, we know, is so complex and difficult, the survival of firms so hazardous in an environment increasingly unpredictable, competitive and fraught with danger that their continued existence depends on the day-to-day mobilization of every ounce of intelligence.

For us, the core of management is precisely this art of mobilizing and pulling together the intellectual resources of all employees in the service of the firm. Because we have measured better than you the scope of the new technological and economic challenges, we know that the intelligence of a handful of technocrats, however brilliant and smart they may be, is no longer enough to take them up with a real chance of success. Only by drawing on the combined brainpower of all its employees can a firm face up to the turbulence and constraints of today’s environment.

This is why our large companies give their employees three to four times more training than yours. This way, they foster within the firm such intensive exchange and communication; this is why they constantly seek everybody’s suggestions and why the demand from the educational system, increasing numbers of graduates, as well as bright and well-educated generalists, because these people are the lifeblood of industry”.

Traditional procedures are outdated as they increase the cost of products which don’t sell and thereby lead to loss. Hence, quality awareness which brings about good processing without wastage, maintenance, high quality, and saves cost, increases demand while bringing about profit.

The following are the modern definitions of ‘quality’ and ‘total quality’:

Quality according to:

- *Juran*: Fitness for purpose
- *Deming*: Anticipating the needs of the customer, translating those needs into a useful and dependable product, and creating a system that can produce the product at the lowest possible price, so that it represents “good value” to the consumer and profits for the enterprise.
- *Philip B. Crosby*: Conformance to the requirements.
- *ISO 8402-1986*: The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

Total Quality has been defined as: *A process designed to focus on customer expectations, preventing problems, building commitment to quality in the workforce and promoting open decision making.*

A workable definition of Total Quality is: *The perfect control over all process, both technical and business.*

TQM implies:

- Working with foresight, expertise and alertness.
- Conformity with the required norms.
- Right action at the right time and place with regular continuation of such an action-oriented performance.

*Notes*

- Achieving an equilibrium of defectless quality by motivating workers to aim always at zero defects.
- Workers tackle the root of the problem and not the symptoms.
- Quality philosophy that admits and acknowledges workers as the most valuable resources.
- Achievement of quality by co-operation and not by conformation extended by the various sections of an industrial unit.

## Quality Leadership

---

The following are the characteristics of the quality leadership:

- People should be properly oriented from time to time about the necessity for quality leadership in respect of whatever enterprise or business activity they may undertake.
- Quality leadership can be either relating to behavioural aspects or social aspects or technical aspects.
- With respect to behavioural aspects, employees – when satisfied with their basic needs as per human requirements and as per Maslow's and Herzberg's motivational factors – become positive, productive and efficient. The five fundamental needs according to Maslow are in descending order of importance: (a) Self Fulfillment (b) Ego Satisfaction (c) Social Needs (d) Safety Needs (e) Physiological Needs.
- Herzberg's motivational factors are: the work itself, the achievement of success in the work, responsibility for the content of the work, recognition and advancement in the position. When these needs are fulfilled, only then can employees work in a productive environment and become happy partners in the enterprise.
- Social quality characteristic refers to the behaviour of employees outside the premises of the factory. For this, they should be trained by the organization as to how they could lead a quality conscious social life. Workers should be guided by a sense of belonging and responsibility. Befitting their position in their company, such workers enjoy the confidence of society at large. Their contributions in qualitative terms can enhance their social commitments.
- Technical characteristic in leadership is most important as it is the most relevant and dominating factor for maintaining a high qualitative technical performance.
- Qualitative leadership should enhance the quality level for their living standards in their personal life.
- It is necessary to raise the level of understanding and performance of the workers through education and training efforts. They should be exposed to a much more multifunctional regular training. It is necessary to enable the workers to train themselves.
- Benevolent leadership and management consist in encouraging the workers to think positively and make suggestions that are realistic and cost-benefit savvy. It is appropriate to award good suggestions promptly.
- Qualitative leadership is always a good discipline. While enjoying freedom workers should maintain discipline at all levels.
- Preventive action at the right time is an outcome of prompt leadership with a futuristic outlook. Corrective action as well as suitable change towards qualitative leadership is necessary.



- Qualitative leadership has a planned approach. In this respect, qualitative leadership should break up the whole process and the related areas that necessitate change into smaller problems at the individual levels. Further, it is proper to trigger the thoughts of the concerned people by means of advertising or through in-house journals and notice boards.
- Qualitative leadership should ensure that the company and the workers are moving on the right track.
- It is necessary to introduce the procedure of departmental reviewing, otherwise lack of discipline might reflect the inefficiency of the concerned departments.
- Leadership should arise within the managerial network, managers being essential role models. Managers can help their respective companies in achieving quality of the desired standards.
- It is essential to provide sufficient freedom to the workers so as to encourage them to contribute their views in regard to product, service or person. Quality leadership should always encourage healthy criticism and remove all the defects of the product. Only then can products of high standard and of defectless, perfect quality move out of the company.

## Indian Ethos for Management

---

Some companies in the market have proved to be successful with ample amount of ethical practices throughout. On one hand, they contribute to their shareholders and on the other hand, they are successful in giving back to the society and to the nation. To mention a few:

### TATA Group

Tata Group Policy proclaims that the chief executive officer of a Tata company is also its Chief Ethics Officer. It adopts following ethical practices:

- National Interest
- Support for open Market economy
- Gifts and Donation for social cause
- Political Non-alignment
- Health, Safety and Environment Care
- Quality Products and Services
- Regulatory Compliance

### Coca-cola India

- Support community based primary education project
- Environment preservation
- Enrichment of work place
- Establishment of rain water harvesting systems

### Wipro Technologies

- Quality Education
- Support voluntary work projects
- Intensive training for creative thinking

*Notes*

## ICICI Bank

Established an organization as “Social Initiative Group” which focuses on:

- Health
- Education
- Micro-financial services

## Work Ethics

---

Work ethics comprise not only how one feels about their job, career or vocation, but also how one delivers his/her job or responsibilities. This involves attitude, behavior, respect, communication, and interaction; how one gets together with others. Work ethics demonstrate many things about whom and how a person is.

Work ethics engage such characteristics as honesty and accountability. Essentially, work ethics break down to what one does or would do in a particular situation. The begging question in a situation involves what is right and acceptable, and above board, versus what is wrong, sneaky, and under the table.

Throughout the last few years, there have been companies whose work ethic – honesty, integrity and accountability – have been rather shady and have a rather negative impact on other people. This has involved people looking the other way when people have done something questionable, or thinking it would not matter.

Work ethics, such as honesty (not lying, cheating, and stealing), doing a job well, valuing what one does, having a sense of purpose and feeling/being a part of a greater vision or plan is vital. Philosophically, if one does not have appropriate work ethics, a person’s conscience may be bothered.

Work ethics are inherent; they come from within. A question may involve where they came from, if they come from within. Philosophically, this may lead to various perspectives; though, the truth about work ethics, and where they come from are answered from a Christian worldview. Work ethics come from God the creator. God made humans in His image, and His word proclaims these a variety of work ethics – honesty, integrity, doing a job well, keeping things above board, and accountability factors.

The Christian worldview holds essentially to two central work ethics – humility and the treatment of others. Humility is being humble, no task is too demeaning. Humility involves servitude, which emphasizes placing other peoples need before one’s own. Treating others with decency and value equate to the *golden rule*. The treatment of others involves loving your neighbor, loving your enemy, doing well to those who dislike you. It involves valuing others, and knowing they have value.

## ❖ Improving Work Ethics

### Produce Perfect Work

Cultivate a habit to perform your work correctly with a minimum of mistakes. Sloppiness or tardiness must definitely not be present in your attitude, personal appearance or any of your work outputs, be it notes, memo’s, letters, spreadsheets, conversations or anything related to your work.

Imagine what will occur if debits and credits are being processed the wrong way around in a financial department. It will have disastrous consequences. Struggle for professionalism in what you do.

## Be faster than most

This is one of the best ways to demonstrate you're pre-eminence and efficiency. By executing duties and tasks speedily, you are being more productive and can entice more important tasks your way and thereby not only amplify your merit ratings, but also your ultimate job rating. Perform your duties speedily, do not wait and stay idle. Present yourself to your superior for more work. Find a balance to be both quick and truthful.

## Display Awareness of Productivity

This must start with your own self-evaluation. Ask yourself continuously if you are giving more back to the organisation in value, than what you are being paid every month. Although not straightforward to calculate, just thinking about it may have enough of an impact. Just imagine for a moment if your organisation were to be solely dependent for profit on the output of human beings only. In other words, nothing to sell or produce but labour output. If you can do more, it reflects in a straight line on profit. Luckily a lot of organisations have machines that make up in productivity for what is lost by unproductive employees. But being more productive in what you do as a human being, can contribute considerably to the profits of any organisation. As salaries are one of the highest cost elements in any organisation, this is one of the first cost elements that come under scrutiny during times of cost reduction efforts. You have to show your worth in order not to be included in downscaling of the labour force. But more absolutely, you have to show your worth to be counted in for consideration for promotion.

## Get Rid of Time Wasters

Arriving late for work, stretching of tea and lunch breaks and stretched out private conversations on the phone, are not only wasting your valuable time, but are a reflection of your poor awareness of productivity. Private conversations on the telephone are one of the most abused methods of stealth stealing from your employer. If you cannot be trusted on the use of the telephone, what else can you be trusted with? Are you a role model for getting rid of these time wasters or for abusing it? Are you earning respect for your ethical conduct in eradicating time wasters or are you just one of the crowd? If you discipline yourself and others around you on the inexpensive use of time, you are on your way to earn a respected leadership role. Others must detect a sense of urgency in your execution of duties to begin to respect and follow your example. Do you want to be a follower or a leader? Do you want to stay covered in the crowd for the rest of your life or do you want to be recognized? There is such a thing as telephone ethics, you know. If you are prepared to pay for your use of the employer telephone, you are not abusing it. Do you really know what you are costing your employer for using the phone? You are not supposed to use it for private purposes in the first place. It is an advantaged instrument entrusted to you to help you in your work and not to cause financial loss to your employer.

## Be open-minded and be prepared for Organisational Changes

Whenever changes are announced, be positive and exhibit a leadership role in executing the new policies and strategies. If you participated in the planning of the changes, then you were forewarned. But even if you experience unexpected changes, be first to look out for positive reasons for such changes and to pressure others around you to accept it with positive attitudes. Defending superiors and higher management will increase your leadership status and trustworthiness. In a political sense it will display your role as siding with management against the disgruntled crowd.

*Notes*

### **Arrange and Systematize your Paperwork**

A good filing system allows you to retrieve required documents and information fast for own use or for use by other parties. It is a reflection of your efficiency and your ability for sound logic thinking. If you surround yourself with paperwork to impress on others how busy you are, you are making the mistake of your life. It can be interpreted in many different ways, like you cannot cope with the workload, you cannot delegate, you spend too much on time wasters, you are too slow and worst of all you cannot manage yourself or others. If you cannot get rid of papers, you will not find the time to attend to the needs and development of your subordinates. You will also not find the time to liaise with colleagues or to discipline your section or department. You will be a walk over and ripe for being misused by subordinates not respecting you. Rather be a reliable source of information with the time for training your subordinates and others. Clean up your desk to make time for others.

### **Read up on the Principles of Supervision and Management**

Familiarise yourself with the knowledge on how to be a good supervisor or manager. If you can display management capabilities, you will sooner be identified for promotion. It is better to be promoted for your managerial capabilities than for your technical proficiency. It will allow you to perform your managerial duties better. Apart from being technically proficient, prepare yourself in advance for possible promotion. Make yourself ready and available for your employer and the future needs of your organisation.

### **Confidential Information**

Your treatment of confidential information is going to be a good gauge of your character. You only have to make one mistake in this area, not to be trusted ever again. If you have a problem in this area, rectify it quickly. Your superiors and employer have to trust and rely on your discretion with confidential information. Some information must be kept confidential or secret until it is time for disclosure.

You must prove your ability for discretion with this type of information, so that they know they can trust and rely on you. Let them know and understand that you are part and parcel of management.

### **Show initiative**

Make suggestions to improve methods of work and systems. See problems as opportunities for improvement. Do not just report problems, but analyse it wisely and make recommendations for improvement. Recognise opportunities for improvement and development and utilise it.

### **Be Honest, Open and Direct**

Harboring a secretive attitude of slyness with hidden agendas, will not remain a secret for long. Other persons will eventually detect it and despise you for it. You can just as well fire yourself, because that is where you will end up. Nobody will trust you after you have been exposed. Be open and direct in your communications and handling of conflict situations. Do not be afraid to air your opinions, as long as it is genuine and true. Truthful mistakes can always be remedied later on.

## Work Culture

*Notes*

Work culture is a combination of qualities in an organization and its employees that arise from what is usually regarded as appropriate ways to think and act. Culture is the vehicle through which individuals coordinate their activities to achieve common goals and expectations. Culture helps individuals understand how their roles fit within the larger picture. Culture defines the norms of acceptable conduct. Culture develops consistent interpretations of behaviors throughout the organization. The well-managed culture can improve performance significantly while the unmanaged culture will obstruct even the best-intentioned change effort.

The "work culture" of an organization is a product of its history, traditions, values, and vision.

It is defined as "a pattern of basic group assumptions that has worked well enough to be considered valid, and, therefore, is taught to new members as the correct way to perceive, think and feel."

Desirable work culture includes shared institutional values, priorities, rewards and other practices which foster inclusion, high performance, and commitment, while still allowing diversity in thought and action.

Work cultures, with mix of practices and ideologies arising from the interactions of people with their work environments, have been shaped in all by diversity—diversity of employment opportunities, population, and housing. The ways in which people find jobs, the rhythms of employment, the size of the workplace, the process of getting to and from work, how the workday is organized, power relationships and hierarchies, how workers learn and manage their tasks, how they socialize and organize family life, how informal worker behavior interacts with sanctioned authority and rules—all these things constitute work culture. There are many different work cultures, reflecting the differences between skilled and unskilled labor, professional, white-collar, and service work, and workers' identities by race, gender, age, and ethnicity. Work cultures have also changed as the nature of work has transformed over the past 100 years.

The work culture can be improved in a number of ways by, for example:

Improving communications between management and staff in both directions.  
Consulting employees and their representatives about their jobs and any changes to them.  
Ensuring that jobs which pose a risk and which cannot be completely eliminated are rotated so that no individual spends a long time on that task.

- Ensuring that all employees have sufficient variety of tasks to enable them to use different muscles and postures and to make their job more satisfying.
- Providing adequate rest breaks to prevent the build up of fatigue and by ensuring that the breaks are taken.
- Identifying and removing stress factors from the workplace. Giving workers control over their pace of work and how they plan their day.
- Removing piece rate and payment by results systems that make earnings dependent on excessive work rates.
- Removing bonus, performance or monitoring schemes which make workers push themselves beyond their capacities. Having proper monitoring and reporting procedures for symptoms of RSI.

*Notes*

## ❖ Diagnosing an Organization's Work Culture

Developing an accurate perspective on an organization's work culture can be accomplished by asking the right questions at the right time. The following is a list that can help to align the people with their work culture: What is the organization's overriding strategic intent?

- How is the organization structured?
- What are the organizations values?
- How is work organized?
- How are decisions made?
- How are resources allocated?
- Which behaviors are encouraged?
- Which are prohibited?
- What kind of people work for the organization? What are their values? How do they think?
- How do they act?
- How much power do they have?
- How much risk are they allowed, and how much do they want to take?
- How are they selected and developed?
- How are they rewarded?
- How is pay viewed is it seen as an investment or merely the cost of doing business?

## Corporate Culture

---

Corporate culture is a set of values, beliefs, goals, norms and ways of solving the problems in the organisation. The founder or promoter can lay the foundation for corporate culture. The behaviour patterns, concepts, values, ceremonies and rituals are included in the corporate culture. When these values and customs are accepted and practiced, these components become organisational culture. Culture represents the collective programming of the mind. Corporate culture is also defined as the personality of the organisation.

Mutual of Omaha has mentioned the following components as "Values for success":

1. Openness and trust
2. Teamwork
3. Accountability
4. Sense of urgency
5. Honesty and integrity
6. Customer focus
7. Innovation and risk
8. Caring
9. Leadership
10. Personal and professional growth.




**REVISION POINTS**

1. 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.
2. The company must decide whether to adhere to constant ethical principles or to adjust to the local rules to maximize profits.
3. A specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.
4. Ethics is based on a set of moral and ethical values.
5. Commitment and support of the strategic-planning initiative must spread from the president and/or CEO all the way down all the way through the ranks to the line worker on the factory floor.

*Notes*

**INTEXT QUESTIONS**


1. What is corporate culture?
2. Describe the functions of corporate culture.
3. Suggest strategies for change in corporate culture.
4. What are the foundations of corporate culture?
5. Discuss the impact of corporate culture.
6. State the myths of corporate culture.
7. What is the impact of MNCs on business ethics?
8. How does organisational culture influence business ethics?
9. Suggest measures for promoting good ethical standards in business through organisational culture.

## Summary

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.

Values are the deep-seated ideas and feelings that manifest themselves as behavior or conduct. The true reflection of one's values is his/her action. Values are what we, as a profession, judge to be right. They are more than words – they are the moral, ethical, and professional attributes of character.

Business culture is characterised by the behavioural characteristics of a business group. The culture of a society is represented by the regulatory phenomena of the members, their patterns of behaviour, forms of art and music, languages, customs, traditions, practices and beliefs.

*Notes*

Work ethics comprise not only how one feels about their job, career or vocation, but also how one delivers his/her job or responsibilities. This involves attitude, behavior, respect, communication, and interaction; how one gets together with others. Work ethics demonstrate many things about whom and how a person is.

## Terminal Exercise

---

Fill in the blanks:

1. As all governmental organs and institutions owe their origin to the ..... of the people.
2. Government can enjoy only such powers which are conferred by the .....
3. Word ..... was inserted through 42 Amendment.
4. .... of the Constitution guarantees equality of all persons before law.
5. The structure of Govt. is ..... in nature.

## Supplementary Materials

---

<http://www.wikipedia.org>

[www.indiaonestop.com/serviceindustry.htm](http://www.indiaonestop.com/serviceindustry.htm) - 57k

[business.mapsofindia.com/sectors/service.html](http://business.mapsofindia.com/sectors/service.html)

[www.iloveindia.com/economy-of-india/service-sector.html](http://www.iloveindia.com/economy-of-india/service-sector.html)

[www.icfaipress.org](http://www.icfaipress.org)

[www.tutor4u.com](http://www.tutor4u.com)

[www.managementlogs.com](http://www.managementlogs.com)

[www.globalethicsuniversity.com](http://www.globalethicsuniversity.com)

[www.bus.lsu.edu.com](http://www.bus.lsu.edu.com)

[www.buzzle.com](http://www.buzzle.com)

[www.allbusiness.com](http://www.allbusiness.com)

[www.icai.org.pdf](http://www.icai.org.pdf)

[www.jdhr.org.pdf](http://www.jdhr.org.pdf)

[www.forensicaccounting.com](http://www.forensicaccounting.com)

[www.forensic.com](http://www.forensic.com)

[www.rtedwards.com](http://www.rtedwards.com)

## Assignment

---

A recent study has revealed that a majority of employees spend ten hours or more in a month complaining or listening to others complain—about their peers, subordinates, bosses or management. More alarming is the statistic that a third of employees spend 20 hours or more per month in this activity that does not create any value.

Dr. Goldsmith, the celebrated management thinker, suggests that each of us should ask ourselves the following four questions before making a public comment.

1. Will this comment help our organisation?
2. Will this comment help our stakeholders?

3. Will this comment help the person that I am talking to?
4. Will this comment help the person that I am talking about?

If the answer to any one or more of the above questions is “no”, Dr. Goldsmith has a simple solution; “Don’t say it”. In other words, if a comment has no value-creating potential, please do not make that comment.

*Notes*

#### Question

Suggest suitable measures for prevention of this bad practice in business organisations.

## Reference Books

---

Mittal Vivek (2007), *Business Environment*, Excel Books.

Bedi Suresh (2006), *Business Environment*, Excel Books.

Mishra, Puri (2006), *Economic Environment of Business*, Himalaya Publications House.

Spiro George W. (1993), *The Legal Environment of Business*, Englewood Cliffs, NJ Prentice Hall.

Starling, Grower (1996), *The Changing Environment of Business*, Cincinnati, OH, South Western College Publishing.

Weidenbaum, Marray L. (1999), *Business and Government in the Global Market Place*, Upper Saddle River, NJ Prentice Hall.

## Learning Activity

---

Growth of population, rising temperature, falling water tables, reduction of land per person and fall of forest resources are the problems faced today by many countries of the world. More of forest resources are used by human beings. There are serious environmental threats for the globe. Environmental issues pose a threat to all administrators. Both pollution and resource depletion operate side by side. Environment is the common property for all the people. Pollution control has become an urgent necessity. There is no ultimate utility of increasing material welfare at the cost of pollution and other related issues. Occupational hazards are increasing, with lesser drive to remove these hazards. From economic crisis, humanity should not be driven to an environmental crisis.

#### Question

Suggest practical measures for introducing effective environmental regulatory measures.

## Keywords

---

**Economic system:** The means by which a society distributes goods and services to its citizens. Every society has some sort of economic system.

**Ethical/unethical:** Adjectives formed from the noun ethics. Interchangeable with moral/immoral.

**Ethical Analysis:** The analysis of a situation, conflict, or choice in terms of its ethical or moral dimensions, that is, in terms of the right or wrong (actions) and good or bad (character).

*Notes*

**Corporate Values:** The operating philosophies or principles that guide an organization's internal conduct as well as its relationship with its customers, partners, and shareholders. Core values are usually summarized in the mission statement or in the company's statement of core values.

**Core Values:** A principle that guides an organization's internal conduct as well as its relationship with the external world. Core values are usually summarized in the mission statement or in a statement of core values.

**Business Culture:** Model or style of business operations within a company. The business culture determines how different levels of staff communicate with one another as well as how employees deal with clients and customers.

**TQM:** Total Quality Management

# Ethics at Work Place

UNIT

5

## UNIT STRUCTURE

- Introduction
- Ethics at Work Place
- Personal Values and Organizational Goals
- Organizational Norms and Conformity
- Ethics and Decision Making
- Ethical Dilemma
- Ethics and Human Resource Management
- Ethics and Marketing
- Consumerism
- Ethics and Advertising
- Marketing Research
- Price Fixation
- Marketing Strategies
- Ethics and Corporate Governance
- Corporate Disclosure
- Ethics, Technology and Computers
- Intellectual Property Rights
- Ethics and Environment
- Sexual Harassment
- Summary
- Terminal Exercise
- Supplementary Materials
- Assignment
- Reference Books
- Learning Activity
- Keywords

## OBJECTIVES

*After studying this unit, you will be able to understand about:*

- ❖ The alignment of personal values with organisational goals
- ❖ The role of ethics in decision making
- ❖ The Ethical Dilemma
- ❖ The role of ethics in HRM activities
- ❖ The role of ethics in the field of Technology and Computers.

*Notes*

## Introduction

---

It may not be difficult to supervise, manage and control others but the great art of living is to control oneself properly before trying to manage and control others. One should strictly follow the principles in one's work, and should always sincerely adhere to honest practices in one's life. Thus, the above mentioned advice of Avatar Meher Baba is very much the need of the day which every person has to sincerely put it into practice.

It is necessary to take good care of one's body while one is in the way of earning his livelihood or undergoing courses of studies as a student, and avoid spending time aimlessly or leading a goalless life after retirement from active service.

Stress, tension and strain are the triple curse a busy corporate executive has to encounter. A person who leads a stressful life eventually becomes a victim of many ailments. Working for long hours, unknowingly taking a wrong diet with a sedentary lifestyle may expose a person to a high cardiac risk. High blood pressure and stress based diabetes and irregular life style lead to cardiac problems. A person who is always exhausted becomes weak and listless and develops breathlessness on exertion. Many a business executive suffers from sleepless nights, indigestion, acidity and 'gas' problems. He falls prey to frequent colds and coughs due to environmental pollution and other causes. Further, AIDS, cancer and other diseases are the bane of the present era. Hence, periodical medical check-ups pre-employment check-ups and other specialized check-ups should not be neglected.

## Ethics at Work Place

---

Nudging one's self towards one's Higher Self can be accomplished if a person realizes the need for holistic and ethical approach to management by a paradigm shift from western principles to an enlightened philosophy of life based on *Yoga*, *Siddha* and *Samadhi*. Yoga is the way to lead oneself to higher self. *Siddha* is the appropriate knowledge which has been proved or accomplished and *Samadhi* means a state of equanimity of the mind or intellect.

Management is not merely the art of directing the activities of men so as to make the best use of money and materials, but it is the skill of enterprise based on experience, intuition and wisdom. While the task of managing material and financial resources may not be difficult for an experienced manager, it is an entirely different matter when it comes to directing human resources. The difficulty arises simply because animate is quite different from inanimate. For example, one can polish a rough diamond and cut to make it sparkle so as to enhance its beauty and hence, its monetary value. The same does not apply precisely in the same manner when it comes to training human beings. A person may be exposed to good education or training, whereby he can have the opportunity to acquire skills. When finally placed in a business or industrial organization, such a person may initially show great promise. However, his efficiency, morale, commitment and loyalty may not necessarily be a non-variable phenomena. The modern world of business and industry abounds with examples that show that mere salary, training and handsome perks do not necessarily guarantee wisdom, or loyalty of the same degree from all such employees. Therefore, the need of the day is to provide the right kind of environment for all the levels of employees to think about themselves in regard to the values and principles of proper and efficient work. 'Qualitative sincerity' and not 'quantitative variety' should be the guiding motto not only for an organization, but for each and every employee, whether he is a labourer, a supervisor, a middle level manager or one belonging to the top management. Development of the individual not merely for promoting the productivity of the organization but essentially for the 'good of the individual self' is to be emphasized as the most relevant work-philosophy for any organization.

## Personal Values and Organizational Goals

*Notes*

Values are features or qualities that are believed worthwhile; they symbolize an individual's highest priorities and extremely held driving forces.

Organizational values are primary constituents of a company culture. As Gyoker says, organizational culture is a flexible dimension of the company which impacts on business performance considerably. Organizational culture can be recognized as a mechanism of norms based on general values, trusts and standards of behavior.

Values emerge at two chief levels in organizations. One of them is the level of the entire organization and the other one is the level of the individuals. According to Borgulya and Barakonyi, collective cultures focus on organizational-level values against individual creativity and self-actualization. By distinction, individualist cultures focus on individual level values creating a competitive work atmosphere.

Hofstede and Trompenaars move towards Individualism and Collectivism as two conflicting poles of the similar cultural element. According to Geert Hofstede, employees in an individualist culture are anticipated to perform in accordance to their own interests and work should be ordered in such a way that this self-interest and the employer's interest agree.

Fons Trompenaars describes the cultural aspects as Individualism versus Communitarianism. In an individualistic culture, people put the individual before the community. In a communitarian culture people put the society before the individual.

Both models stress the role of the values in constructing and developing organizational cultures.

Ridderstrale and Nordstrom state that communities are individualists and team players at the same time. In spite of this truth, numerous researchers treat individualism and collectivism as contradictory poles of the same cultural constituent. By comparison, the company of the future is neither individualist nor collectivist, but both of them together. Organization is a group of well-built personalities bonded by general goals.

Researchers have been interested in coordination between organizational-level and individual-level values for numerous decades. According to McGregor the hypothesis of integration signifies to make conditions in which the employees can achieve their individual goals most productively by means of making their attempts for the objectives of the company. Most fruitfully means, that the substitute of self-motivation and self-control is more attractive than any other possibilities such as neglectfulness, irresponsibility and hostility. The managers choosing theory Y inspire their subordinates continuously to improve and exploit their knowledge, practice, abilities and creativity for the success of the company.

Lovey and Nadkarni write in their book titled "The Joyful Organization" that the more prospects the organization gives for the person for self-actualization and for development of his capabilities, the stronger belongingness he senses to the company.

Additionally they say if the employees have to reach not only the objectives of the organization but also their individual goals, then both the company and the individual become successful. The healthy organization accomplishes the requirements of its employees by creating an environment where the members of the group improve their competencies, they feel significant and they can attain their goals while they understand organizational goals. Individual values are also consists of personal ethics.



*Notes*

## Individualism versus Collectivism

Some cultures give a lot of importance to collectivism. Growth of population, rural orientation, general poverty and family values has given importance to the joint family system in countries like India. In contrast to this, the developed countries of the world like the U.S. give emphasis on individualism and nuclear families. Professionals who go to the Western world get an impression that individualism is better than collectivism. Sometimes, this trend promotes Western ethical values among Easterners too.

## Organizational Norms and Conformity

Business culture is characterised by the behavioural characteristics of a business group. The culture of a society is represented by the regulatory phenomena of the members, their patterns of behaviour, forms of art and music, languages, customs, traditions, practices and beliefs. It may come as a surprise to many that business organizations also have their distinctive cultures. Business culture is the totality of the norms, beliefs and values that regulate the behavioural functioning of individuals or groups of persons operating within a corporate environment.

## Ethics and Decision Making

The economic activity and competition are no longer considered to be bedfellows altogether incompatible with ethics and morals. This is correct because man is always much more than mere commerce and competition. He has the ineffable of ethics and morals also to manage – whether in business or politics.

Two academics, Victor and Cullen, conclude a research study by pointing out:

“It is our belief that organization theory needs to attend more explicitly to the ethical content in organizational processes. Ethical issues in organizations increasingly preoccupy theoreticians and practitioners. Firms are attempting to control the ethical decision-making of individuals, and society is attempting to influence directly the ethical decisions making of firms”.

Business decision based on moral reasoning can be too absolute and decision based on only realities and logic can be too harsh and inhuman. To avoid these two extremes, one can resort to traditional stakeholder model of decision-making. Stake holder theory suggests that in reaching ethical decision, we respond to the following inquiries:

- What is the moral dimension?
- What is ethical issue?
- Who are the interested parties?
- What values are involved?
- What alternative do you have in your decision?
- What is the weight of the benefits and the burdens of each alternatives on each impacted party?
- Are there any analogous cases?
- Can I discuss the case with relevant others?
- Can I gather additional opinion or perspectives?
- Is the decision in line with legal and organizational rules?
- Am I comfortable with the decision? Can I live with it?

Philosopher Laura Nash suggest asking oneself 12 questions prior to reaching a decision in an ethical dilemma (Laura Nash "Ethics without the sermon", *Harvard Business Review* 56, no.6 (1981) pp. 80-81)

*Notes*

- Have you defined the problem accurately?
- How would you define the problem if you stood on the other side of the fence?
- How did the situation occur in the first place?
- Who was involved in the situation in the first place?
- What is your intention in making this decision?
- How does this intention compare with likely results?
- Who could your decision or action injure?
- Can you engage the affected parties in a discussion of the problem before you made your decision?
- Are you confident that your decision be as valid over a long period as it seems now?
- Could you disclose without qualms your decision or action to your boss, your CEO, the board of directors, your family, or society as a whole?
- What is the symbolic potential of your action if understood?
- Under what condition would you allow exceptions to your stand?

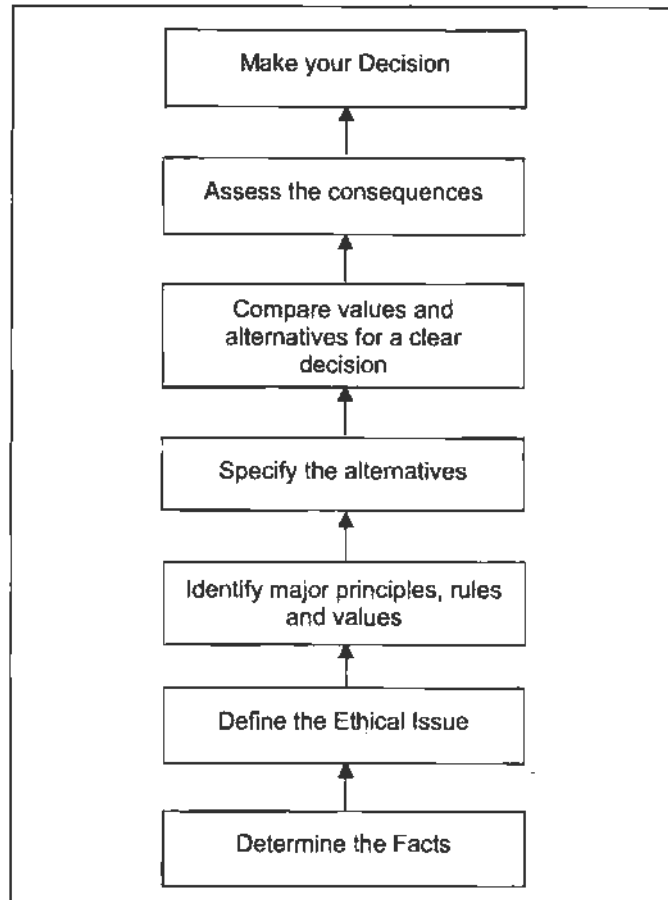
In evaluating decision, two elements should be considered: Integrity and Accountability. Integrity, means consistency in values. It would require that the decision maker to define her or his values, as well as create a prioritization of those values. Accountability means no matter which direction is taken, the decision maker must be accountable to all stakeholders who are impacted by this decision.

## Ethical Dilemma

Managers experience the dilemma of ethical decision making during performing of their duties. Some such dilemmas are mentioned below:

- I have to satisfy inspector from the electricity board to maintain adequate power supplies in times of recurrent shortages.
- I have to oblige, entertain, and enrich an important customer to keep him from switching over to competitor.
- I have to do manipulation in accounts statement to show high profit figure.
- To increase profits I have to sell same product in three different packing at different price.
- Without having any improvement in product I have to advertise New and Improved.
- I have to sign a transfer orders of an officer to satisfy the prejudice of a higher level officer.
- I have to oblige bank officer to get loan for the project.

American Accounting Association (AAA) published in 1988 a report on Ethics in the Accounting Curriculum which included a "decision model" for analyzing ethical dilemmas. Its steps are shown in Figure 5.1.

*Notes*

**Figure 5.1: Decision Model for Analyzing Dilemmas**

Modern theories of ethics may prove useful in understanding and encouraging ethical behavior in business. Imagine a lawless system where every human action is influenced by market forces. Can an organization in this situation remain ethical? Can business exist if every firm took decision on the basis of self interest at any cost? Does lawless market forces ensure justice and fair business. Of course not.

Economist Dwight Lee and Richard Mckenzie support this contention. They explain that a businessperson may act honestly because of the high cost of dishonesty.

An economy in which people deal with each other honestly produces more wealth than one in which people are chronically dishonest because more exchanges occur directing resources into their most productive employments.

## Ethics and Human Resource Management

Human Resource Management (HRM) is the process of selecting, developing and maintaining competent workforce to achieve the goals of the organization. It is action-oriented; future-oriented; and development-oriented. One of the aims of HRM is to manage human resources in an ethical and socially responsible manner.

Like other branches of management, the HRM also has new features which are different from the traditional practices. Some of the new lines of improvement in HRM are given below:

1. The Traditional HRM gives importance only to employee relations. The modern HRM considers employees as internal customers.

2. The traditional approach was slow, reactive and fragmented. The modern approach is fast, proactive and integrated.
3. The traditional approach was rigid while the modern approach is flexible.
4. The traditional HRM gives importance to transactions while modern HRM emphasises on transformation.

Modern Human Resource Management (HRM) has given place to Human Resource Development (HRD) so that the individual employees are trained to achieve the goals of the organisation. The groups are nurtured and developed. The scope for the application of ethical practices in human resource management is vast and varied. In fact, human resources are an important form of resources in any business organization. Some of the unethical practices originate and expand in managing human resources. It is the responsibility of the management to create a work environment that supports ethical behaviour and discourages unethical behaviour. Setting ethical ideals is not enough. The manager should follow ethical goals in daily corporate life. Managers should pay more attention to what they do than what they say. They should take advantage of opportunities to demonstrate ethical conduct.

### ❖ Some Unethical Practices by Employers

#### Rift of Unions

When unions are representing the employees, no doubt collective bargaining is on the rise. It is not fair to mislead or browbeat the unions but it is advisable to take the union to confidence and explain the position of the company.

#### Exploitation

Exploitation of employees in any form is highly unethical. Low wages, poor working conditions, difficult targets, pressures and heavy schedules are the different forms of exploitation of employees. Exploitation is inhuman and ultimately affects the labour force of the economy.

#### Bias in Selection

When selection of employees takes place, it should be done in a professional way. There should be no bias in the selection of employees for an organization. For example, if selection is made only from one angle or rejection only from one particular aspect, it is not considered to be a good practice. Organisations should have right employees with right skills in the right places at the right time.

#### Differential Treatment

The employers should not use differential treatment for the employees. This will lead to more and more of division, and internal conflicts.

The employees sometimes present fake claim of ages, qualifications and experience. They produce fake certificates and resort to slow work and wastage of resources. These are all not only unethical but criminal practices.

Passing of irrelevant orders, vindictive transfer policies and political pressures on internal aspects of business are the unethical practices followed by the government.

*Notes*

## ❖ Reward Systems

Reward systems play an important influence on the behaviour of the people at work. According to reinforcement theory, people are likely to behave in the way they are rewarded.

Employees in business organisations are constantly on the lookout of information about rewards and punishments. People perform according to the reward. The rewards have to be explicit. The organisations should set an ethical Pygmalion effect. In terms of ethical Pygmalion effect, the expectations for ethical behaviour are to be set high and people are expected to achieve high standards.

There is an extension of reinforcement theory called social learning theory. In terms of social learning theory, people learn from observing the rewards and punishment of others. The workers are constantly on lookout for information about rewards as well as punishments. If the workers see that others get away with unethical practices like lying, cheating or stealing, they also try to follow these behaviour patterns. Ethical behaviour is rewarded in the long-run.

On the other hand, punishments can be given then and there. The punishment should be administered fairly. The level of punishment should be in proportion to the level of unethical behaviour. Through one punishment, the other workers can be corrected. At any cost, unfair punishment should be avoided.

Human assets cannot be duplicated and should become the competitive advantage for an organisation. All other assets like physical and capital are managed effectively by human assets only.

Every organisation has to determine the actual 'value' of each employee. Valuation of human assets has implications for compensation, promotion and retention.

## ❖ Cash and Incentive Plans

Employees should be given fair wages related to standard of living. If fair wages are not provided, ethical practices may not prevail. The employees will take the undue advantage of poor compensation to indulge in poor work, absenteeism and other unethical practices. For equal work, there should be equal pay. Inequalities in wages are not justified for the same type of job.

Ethics requires incentives for better performance and higher qualifications. In any pay system, there should be fairness or equity. The term equity has the following three dimensions:

1. Internal equity, which ensures that more difficult jobs are paid more.
2. External equity ensures that jobs are fairly compensated in accordance with the conditions in the labour market.
3. Individual equity, which ensures equal pay for equal work.

Incentives and rewards are a key component in any performance management system. The new forms of motivating employees are coming up. In the present environment characterised by globalisation, privatisation and liberalisation, the traditional incentive schemes are not suitable. Some of the non-monetary incentives are gift vouchers citation, quality award, R&D Award, Good Health Award, Long Service Award and Creativity Award.

Compensation management is integrated with business and human resource management strategy. Therefore, the reward systems should be integrated with overall business plan and strategy.

*Notes*

Merit rating should be done in an ethical way. Let us take the case of sales people. The job factors of a salesperson are sales promotion, realisation of outstandings, goodwill calls after sales service and investigation of complaints. All these tasks have to be taken into account in merit rating.

A well-defined and designed incentive and reward systems can increase productivity.

Productivity linked bonus should be designed in a most ethical way. The following precautions have to be taken into account.

1. The tendency of the labourers to speed up everything, leading to accidents and wastage of resources has to be avoided.
2. The labourers have to give up the practice of inflating their performance.
3. The incentive schemes should not reduce the unity of the workers.

The following guidelines are necessary for the ethical implementation of good incentive schemes:

1. The desired positive behaviour at all levels should be supported.
2. The policy should be clearly articulated. The recipients should know what is being rewarded and the reason for reward.
3. The scheme should be adaptable to the changing business conditions.
4. The scheme should be regularly reviewed for effectiveness and achieving the desired results.

## ❖ Discrimination

Discrimination is wrong because it violates a person's basic moral rights. According to Kantian theory, human beings should be treated as ends and not merely as means.

The society's productivity will be optimised to the extent that jobs are awarded on the basis of competency. Different jobs require different skills and personality traits, if these jobs are to be carried out in a productive manner. Naturally, jobs should be assigned to those individuals whose skills and personality traits qualify them as competent for the job.

Discrimination leads to decline in production and, is therefore, unethical.

In developed countries, discriminatory practices are found in recruitment, screening, promotion and conditions of employment. In developing countries, the following discriminatory practices are followed:

- Faculty screening
- Unfair interview
- Wrong recruitment
- No consideration for seniority in promotion
- Discrimination in wages
- Discrimination in bonus
- Discrimination in treatment
- Forced resignation
- Denying or delaying retirement benefits

*Notes*

## ❖ Performance Appraisal

Performance appraisal is a method of evaluating the behaviour of employees with regard to the various aspects of job performance.

Performance appraisal involves three steps namely, setting work standards, assessing employee's actual performance and offering feedback to the employees.

It has to be carried out periodically with a definite plan. Performance appraisal forces the managers to become coaches rather than judges. It is an opportunity to identify issues for discussion, eliminate problems and set new goals for achieving risk performance.

### Unethical Practices in Performance Appraisal

1. There are many judgment errors like bias based rating. First impressions may influence the evaluation. The Halo effect occurs when one aspect of an employee's performance like few absences make the supervisor to believe that he is not good in his work.
2. The leniency error can affect the performance appraisal system itself as ineffective because of the mental make-up at the time of appraisal.
3. Sometimes the rater may give greater weightage to recent effects than the earlier efforts.
4. The manager may lack appraisal skills.

## ❖ Whistle-blowing

Whistle-blowing is an attempt by a present or former member of an organisation to disclose the wrong acts in an organisation. It is the release of information by a member of the organisation regarding the illegal or corrupt conduct in the organisation. It has the following salient features:

- Whistle-blowing can be done only by a member of an organisation. It is not like a witness of a crime but an employee within an organisation pointing out the illegal conduct.
- There must be information in whistle-blowing. It should involve the release of non-public information. There is a distinction between the whistle and sounding the alarm. The whistle-blowers have to reveal new facts.
- The information should be of some kind of misconduct on the part of an organization. The matter should be of substantial importance.
- The information through whistle-blowing must be released outside the normal channels of communication. Whistle-blowing does not necessarily involve the process of "going public" and revealing the information outside. It can also be an internal whistle-blowing.
- Whistle-blowing is expected to bring about a desired change. It is not merely passing on information.
- Whistle-blowing has to be done in a voluntary way.
- Whistle-blowing must be undertaken as a moral protest. It should not be for the sake of seeking revenge or personal advancement.

In fact, many whistle-blowers are often loyal employees who do whistle-blowing in the belief that they are doing a job in the best interests of the company.



## Necessary Conditions for Whistle-blowing

1. **Moral Importance:** Whistle-blowing can be justified if there is a real issue related to moral standards.  
For example, if a drug can produce harm of high nature, whistle-blowing can be justified. An alarm can be sounded about the defects of a system or a product.
2. **All the Facts:** Before whistle-blowing, all the necessary facts and figures should be made available. The charges should be well founded. The necessary documentation and corroborative evidences should be made available. The evidences should be made available. The evidence should be consisting of verifiable facts and not mere rumours. Very often, whistle-blowing cases end up in court and this requires a strong proof to stand up under scrutiny and verification. The support for the charges should be capable of meeting the standards of the law of the land.
3. **Exhaustion of All Channels:** A whistle-blower should not be after a sensational scene creating effort. He or she should exhaust all the available internal channels. Hence, whistle-blowing should be a last resort. Judicial courts do not consider a complaint unless all possible appeals within an organisation have been exhausted. Many organisations have internal channels to express employees concerns. In some cases, external whistle-blowing is faster and quicker in effects than internal whistle-blowing. Such instances have happened in big organisations.
4. **Best Way:** There are many methods available to the whistle-blower. The whistle-blower should select a suitable method. For example, a complaint to the Vigilance Department, SEBI, CBI and Environmental Protection Agency can be sufficient in India. The leaking of information to the local press can be sensational but not remedial in the case of an ethical problem. The whistle-blowers should focus on the important issues and restrain the persons involved. They should be acting as responsible people and not crazy radicals. It will be appreciated if the whistle-blowers develop a clear plan of action.
5. **Chances of Success:** It is important to blow the whistle only when there is a good chance of success. Whistle-blowing may be unsuccessful for a variety of reasons. At certain times, the whistle-blower fails to make a case that attracts widespread concern from others. At certain other times, the organisation is quite powerful to control the effects of whistle-blowing. Finally, whistle-blowing will not be successful if the public is not sufficiently responsive.

## Arguments for Whistle-blower Protection

1. Illegal corporate conduct, gross waste and mismanagement can be brought to the notice of concerned authorities and public by whistle-blowers. Ralph Nader observes: "corporate employees are among the first to know about industrial dumping of mercury or fluoride sludge into waterways, defectively designed automobiles or undisclosed adverse effects of prescription drugs and pesticides. They are the first to grasp the technical capabilities to prevent existing product or pollution hazards. But they are very often the last to speak out, much less to refuse to be recruited for acts of corporate or governmental negligence or predation. Staying silent in the face of a professional duty has direct impact on the level of consumer and environmental hazards."
2. Whistle-blowers have to be protected on the basis of freedom of speech. The Indian constitution has held the freedom of speech to be one of the fundamental rights.

*Notes*

3. A whistle-blower is doing the job in the larger interests of the nation and not for his petty publicity. Naturally, the whistle-blower has to be protected by law.

**Arguments against Whistle-blower Protection**

1. Some employees may find an excuse to blow the whistle in order to cover up their own mistakes and incompetence.
2. The freedom to run the business will be restricted.
3. The spirit of co-operation and trust will be defeated.

**Components of a Whistle-blowing Policy**

1. The employees should understand that they have a responsibility to report about the unethical practices through internal channels.
2. A well-defined procedure has to be established allowing employees to report in a confidential manner. A few companies use an 'ethics hot line' allowing the employees to do whistle-blowing by calling a number.
3. The success of a whistle-blowing policy depends on the ability of the people who receive and investigate the reports from employees. Apart from maintaining confidence, a thorough investigation has to be undertaken.
4. Appropriate action has to be undertaken for the unethical acts and should be informed to the reporting employees.
5. Above all, a guarantee should be provided against retaliation.

**❖ Ethics in Accounting and Finance**

Unethical activities and financial mismanagement always go together. The following are the major reasons for the increase of unethical financial management.

1. Ambition amongst all the sections of society for disproportionate earnings.
2. Coercive and corrupt practices by the government in terms of acts, policy and procedures.
3. The complex, arbitrary, time-consuming and one-sided tax laws.
4. The power of huge monopolistic organisations.
5. The idea of a socialistic pattern of society where intellectual and materialistic growth is restricted.
6. Too much of centralised control and the lack of empowerment. It should be remembered that power corrupts and absolute power corrupts absolutely.
7. Growth is aimed for the sake of growth. The economic aspects of growth are given more importance than the non-economic aspects like values and ethical principles.
8. The social system is deteriorating in major parts of the world.
9. The concept of money illusion is prevailing in the minds of all people. Money illusion advocates that for anything and everything, money can be a compensator.

According to ethical standards, the first and foremost importance should be given to the universe (SRISTI), then to the society (SAMASTI) and only last to the concerned individual (VYAKTI). In contrast, in modern times, people give more importance to individual and then for society and least for the universe.

Some norms can be fixed for quality of solutions.

1. Fully ethical and legal is considered a best solution.
2. Fully ethical but not so legal is ethically acceptable.
3. Fully legal but not ethical is a masterminded solution but not acceptable.
4. Unethical and illegal combination is disastrous.

Ethical and economical combinations can be made in the following manner:

1. Fully ethical and most economical combination is the best.
2. Fully ethical and not so economical is acceptable.
3. Most economical and not ethical is dangerous.
4. Neither ethical nor economical is disastrous.

### ❖ Corporate Takeovers

Corporate takeover is a general term referring to transfer of control of a firm from one group of shareholders to another group of shareholders. Change in the controlling interest of a corporation, either through a friendly acquisition or an unfriendly, hostile, bid. A hostile takeover (with the aim of replacing current existing management) is usually attempted through a public tender offer.

## Ethics and Marketing

---

### ❖ Concept of Marketing

The concept of 4Ps is relevant in modern marketing. The 4Ps are Product, Price, Place and Promotion.

#### Product

The product is required to be the needs of the customers. The product may be tangible or intangible like a service. With the growth of technology and large scale production, manufacturers are able to produce large annuity with lesser cost. Since the customers want better quality, importance has been given to the quality of the product or service. With the passage of time, there are many sellers leading to more and more of competition. A healthy competition is good for business and society.

#### Price

Price is the worth of the product in the minds of the customers. If the price is cheaper, the customer buys the product. In modern days, along with the price, the quality of the product is also equally important.

#### Place

A convenient place for shopping is also equally important. People used to go to markets for buying the products, in modern days; door delivery is an attractive feature.

#### Promotion

Promotion includes advertising, personal selling, sales promotion, publicity and public relations so as to increase the sales of a product or service.

*Notes*

## ❖ Present Market Environment

The following are the features of the present market scenario in India:

1. A large number of multinational corporations have been operating in India.
2. India's economy has been globalised
3. The IT sector has emerged powerful but in recent times, it is experiencing a slow down.
4. There is an influx of cheap chinese goods in a big way.
5. The buying power of urban people has increased. There is also emergence of rural marketing with greater demand, different goods and services.
6. Terrorism has affected the normal life of people in many cities as also tourism and recreation.

## ❖ Marketing Mix

Just as many ingredients are necessary for a chef to prepare a delicious meal, the marketing manager has to combine the different factors. All these factors can be called the marketing mix. The factors include:

1. Marketing research
2. Product
3. Packaging
4. Brand
5. Trade mark
6. Price
7. Transportation
8. Advertising
9. Personal selling
10. Credit facilities.

With this background, we can discuss the ethical issues involved in marketing.

## Consumerism

---

The basic objective of marketing is to satisfy the needs of the consumers. The starting point of economic activity is consumption. There was a time when consumers were cheated and exploited. In modern times, the concept of consumerism is popular and covers most of the nations. Consumerism refers to social activism of protecting the rights of consumers in their dealings with business.

## ❖ Basic Rights of Consumers

1. Right for safe products
2. Right to be informed about the products
3. Right to be heard
4. Right to choose
5. Right to be educated about purchases
6. Right for a courteous service.

It is estimated that two-thirds of spending in the world economy (\$35 trillion) is by the consumers. Hence, there is a strong need for the protection of consumers. Till recently, the consumers were cheated in different ways. Even the privacy of the consumers was not fully protected. Through an unethical method phishing, fake e-mails were sent as though from financial organisations.

Only in 1962, did former U.S. President John F. Kennedy introduce the rights for consumers in the U.S. Congress.

### ❖ UN Principles of Consumer Protection

The United Nations has introduced the following principles of consumer protection:

1. Protection of the consumers from hazards of health and safety
2. Promotion and protection of economic interests
3. Provision of adequate information to the consumers
4. Provision of consumers' education related to the products and services
5. Effective redressal of the grievances of the consumers
6. Encouraging business chambers to resolve consumer disputes
7. Freedom to form groups and present views in decision-making on issues affecting consumers
8. Promotion of sustainable consumption patterns.

### ❖ Consumer Protection Act, 1986

This Act passed in India is unique covering the public, private and co-operative sectors. "According to this Act, any person who buys any good or hires any service is called a consumer". The buyer should be the ultimate consumer and not for resale of goods and services.

### ❖ Consumers' Rights in India

There are six consumers' rights in India on par with the global situation:

1. Right to SAFETY against hazardous goods and services.
2. Right to be INFORMED about quality, quantity, purity, standard and price.
3. Right to CHOOSE from a variety at competitive prices.
4. Right to be HEARD of complaints and grievances.
5. Right to seek REDRESSAL of grievances
6. Right to CONSUMER EDUCATION on matters related to consumption.

This Act is complemented at the district, state and national level. At the district level, it is up to ₹ 20 lakhs, at state level from ₹ 20 lakhs to ₹ 1 crore. There is also a provision for appeal in the Supreme Court of India.

There are other Indian laws too to protect the consumers like the Companies Act, Drugs Act, Freedom of Information Act and Competition Act, 2001. In 1996, a Council for Fair Business Practices had been formed to promote fair prices, discouragement of hoarding, ban on trading of adulterated goods, and prevention of overcharging by the agents.

*Notes*

Gandhiji had said:

“A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so.”

Some salespeople complain that their customers ask too many questions to which Sam Walton (Wal-Mart) answers: “The customer has all the answers, and importantly, all the money”.

In fact, the various marketing strategies and programmes should deliver the full expected value for money to the consumer. Though the consumers are called ‘kings’, there are so many cases of exploitation of the consumers. In the age of the Internet, the consumers are misinformed, misled, deceived and forced to buy some products and services.

The emergence of large-scale unethical and unfair practices in business has led to the growth of consumerism. Consumerism is an organised movement that seeks to protect the interests and rights of consumers, both individual and institutional, against irresponsible, unethical or unfair practices of business firms both in the public and private sectors.

### ❖ Ways of Consumer Exploitation

1. Fixing a higher price.
2. False discounts and false sales.
3. Sub-standard quality
4. False product differentiation of goods and services.
5. Sale of goods that is injurious to health, life and property.
6. Suppression of information about the quality, standard and performance of the product.
7. Reduction of competition through collusion with other traders.
8. False and misleading advertisements.
9. Supply of adulterated goods.
10. Not honouring guarantees and warranties.
11. Use of false weights and measures.
12. Making a misleading representation about the need of a product or service.
13. Creating artificial shortage of goods in order to increase prices.
14. Not redressing the grievances of the consumers.

### ❖ Role of Consumer Organisations

Mere legislation for protecting the consumers is not enough. Consumers have to come forward in organizing efforts to form voluntary consumer organisations. A voluntary consumer organisation is formed by a number of consumers voluntarily with the purpose to protect and promote their rights as consumers.

The following are the basic functions of a consumer organisation:

1. Protecting and promoting the economic and other related interests of the consumers.
2. Detecting the malpractices related to price, quantity, quality and safety of the products and services.
3. Finding out the genuineness of discounts and sales.
4. Initiating acting to protect the consumers in accordance with the laws.
5. Promoting consumer awareness and consumer education.

## **Ethics and Advertising**

---

Advertising is a paid form of non-personal communication about products and services. The term 'paid' refers to the space or time for an advertising message. It is also non-personal in the sense that there is no opportunity for feedback. The advertising message is transmitted to a large group of individuals.

Advertising is an essential tool for mass marketing and class marketing of goods and services. The nature and purpose of advertising differ from time to time, place to place and industry to industry. There are many types of advertising such as national advertising, regional advertising, business-to-business advertising, professional advertising and target group advertising.

There are three important objectives of advertising namely provision of information to the buyers, persuasion of buyers and reminder to buy.

### **❖ Promotional Role of Advertising**

1. Advertising provides information about products, services and places. This information can promote more and more of opportunities for growth.
2. Advertising encourages a higher standard of living by providing a lot of information about new products and services. The consumers make new decisions to increase their standard of living.
3. Advertising as an industry creates a lot of employment opportunities to many people.
4. Advertising generates more and more of thinking and imagination.
5. Advertising also promotes severe competition between two similar products. The advertisement efforts of Coke and Pepsi are good examples.

### **❖ Unethical Aspects of Advertising**

1. Very often, advertisements make false claims and deceive the consumers.
2. A popular action may be legally approved but not ethical. Let us take the advertisement of tobacco companies. It is an unethical practice in the long-run. There is no law restricting tobacco companies from advertising their products except the statutory warning that tobacco is injurious to health.
3. Many advertisements exhibit vulgarity and violence, which affect the moral standards of youth.



*Notes*

4. There is always an element of manipulation in advertisement. This leads to conspicuous consumption of goods and services affecting the growth of capital formation in the country.
5. Promotion of alcohol among the younger generation through advertisement is also considered unethical.
6. Instead of being creative, many advertisements are stereotyped, causing a lot of wastage of resources.
7. Advertisements are more of propaganda than of provision of correct information.
8. Electronic advertisements affect children because they cannot make a distinction between programmes and commercial advertisements.
9. Portrayal of women in advertisement has to be restricted and related to the product or service. Advertising is criticised for stereotyping women and failing to recognize the changing role of women in modern societies. Women have been shown as models and objects of beauty. In contrast, men have been portrayed as constructive, powerful and achieving. This portrayal of women as sex objects contributes to the growth of violence against women.
10. False benefits are propagated in order to make the consumers to shift the brand. Advertising affects the freedom of choice and erodes social values.

The executives of advertising agencies do not have a correct answer to these problems. They say that what is legal is also moral. They also argue that the consumers are smart and all other companies are also advertising more or less in the same pattern.

Moreover, misleading financial print statements also appear in print media through big advertisements. Some companies having bad labour practices make huge advertisements about their products. All these are unethical advertising practices.

### ❖ Advertising and Product Information

A good advertisement should be fair enough to describe the features and normal benefits of a product or service. It can be creative, logical and innovative. It need not be an exaggeration of facts and features. It should try to educate the consumers and create awareness in the minds of people. Ethics requires that the side effects of a product or medicine have to be informed to the public.

### ❖ Unnecessary Buying Behaviour

It is said that advertising makes people to buy goods and services which they do not need. Persuasive advertising dealing with emotions, anxieties and psychological needs affect the consumers. A good advertisement should give the consumers an option to think and act.

The famous American economist, John Kenneth Galbraith, said that advertisement is one of the reasons for conspicuous consumption.

### ❖ Advertising and Media

Advertising plays an important role in financing the media. It tries to control the media by pressuring the networks to change their programming. There is a strong need for control of advertisement. In many cases, the editorial opinions are created in favour of advertisers.

### ❖ Economic Ill-effects of Advertisement

1. Advertisement creates unnecessary competitive wars, which lead to wastage of resources.
2. It creates discrimination among the people leading to conflicts.
3. Brand wars are created by advertisements. These brand wars are unnecessary in a real world of economic forces. But these brand wars are capable of promoting changes in demand. In this process, some are benefitted and some others lose.
4. Advertisement increases the cost of production which ultimately affects the price.

The cost elements push the price level and bring discomfort to the buyers.

### ❖ Ethical Issues of Advertisement

1. A good advertisement should promote good and positive messages and correct information.
2. The overall effects of advertisement should be having a good impact on society, family, institutions and individuals.
3. Puffery, which refers to exaggerated claims of the product has to be given up. Self regulation is very much essential.
4. Decency should be the general ruling, Keith Reinhard says, "All of us can use media as we want. We can vulgarise the society, we can brutalise it. Or we can lift society to a higher level".
5. Regulation of advertising is necessary to protect competition, to protect the consumers and saving the societies. Advertising is acting on us without our knowledge and without our consent.

Deceptive advertising occurs when a retailer makes false or misleading advertising about the product and its benefits. Bait and switch advertising promotes a product at an unrealistically low price to serve as 'bait' and then trying to 'switch' the customer to a higher priced product.

The producers and sellers should try to follow product liability laws. In terms of the product liability laws, a seller of a product must attempt to foresee how a product may be misused and then warn the consumer against the hazards of misuse.

### ❖ Packaging and Labelling

Business ethics is the application of moral standards to business situation. Hence, business ethics has to be applied in all aspects of manufacturing and marketing. There should be no conflict of interest between the seller and the buyer.

There are four aspects of ethical issues in packaging and branding namely label information, packaging graphics, packaging safety and environmental implication.

The label information should contain all the necessary information such as the components, method of using and if necessary the precautions and side effects. The label should try to educate the users in a simple and effective way. Ethical consumption which refers to the consumption of goods without affecting others and the natural environment. The manufacturers should encourage the consumers to practice ethical consumption.

Business should promote the consumption of natural and organic products for health reasons. The green standards have to be followed in each stage of the product life cycle,

*Notes*

such as design manufacturing, transportation packaging and disposal. Packaging has become an important selling point for products in modern days.

Sometimes, the label information misleads the consumers about the content of the package. The dangerous products are unsafe to the consumers. The pictures in the package are not the same as actual products. Packing should take into account the cost of packaging materials, shelf space available, capacity of protecting the product from damage and prevention of stealing from the pack.

Ultimately, packaging should protect the quantity, quality and the regular features of the product. In the present context of globalisation, international standards have to be maintained with regard to packaging and labelling.

## Marketing Research

---

The following are the important ethical practices in marketing research:

1. There should be no misrepresentation of research results.
2. While interviewing children, special care should be taken into account.
3. The informants should clearly understand the meaning of each and every question in a questionnaire.
4. The client confidentiality has to be maintained.
5. Marketing research should be used only for the purpose of doing research related to marketing. It should not be used as a means of developing sales or promotions.
6. Marketing research should secure the co-operation of the informants for the interview.
7. It should provide the name of the research agency conducting the study.
8. It should prevent undue stress on informants.

## Price Fixation

---

Price refers to the value of a product in terms of rupees or any other currency. Both demand and supply are the two forces operating in fixing the price.

In the real world of oligopolistic market conditions, it is easy for the firms to set their prices at artificially higher levels. Firms in any oligopolistic industry agree to limit their production so that prices rise to higher levels. Price collusion and price gouging are the two unfair pricing methods. Price collusion occurs when two or more firms agree to collaborate on such wrongful acts as price fixing. Price gouging is a response to increased demand with a higher price.

The price level should not be exploitative in nature. In accordance with the welfare economy, dual pricing is fixed for many goods and services. The price of any air-conditioned ticket in a train is costlier for a poor man who can afford to go in the second class. The 'only students' edition of the book is cheaper compared to the library edition.

Confusing methods are employed by most of the manufacturers by prefixing words like "new" or "20% extra for same price" or "more powerful" to change the mindset of the consumers.

## Marketing Strategies

---

Marketing strategies are used to increase the market share, effectively compete in marketing and promote the sales. A good marketing strategy has to be followed in

accordance with ethical considerations. Some of these ethical considerations are given below:

1. A right type of information has to be provided for the consumers about the quality of the product, safety, usage and its special features.
2. Instead of confusing the customer, there should be clarity in their strategic statements.
3. There should be no force in making the consumers buy the product like 'buy two and get one free'.
4. The consumer should really feel the worth of the money on the product or service. Even if the hire purchase system is encouraged, it should not exploit the consumers. The marketing people should know the limitations of the consumers.

*Notes*

### ❖ Avoidance of Unethical Practices in Marketing

1. Any discrimination against the rural markets should be avoided. The rural population has a lesser income than the urban population and deserves the support of the society.
2. Any form of violation of copyrights should be avoided.
3. Damaged products should be withdrawn from the markets. Similarly, medical and food products should be sold within the expiry period and beyond that, these products should be withdrawn from the market.
4. The side effects of medicines should be pointed out to the consumers.
5. The duplicated goods or imitative products should not be sold in the market.
6. Offering big gifts or extra quantity should be discouraged as unethical practices.
7. The big companies should promptly pay to the small companies for the purchases.
8. The growth of black marketing and the creation of artificial scarcity have to be discouraged. These are serious economic offences leading to the inefficiency of marketing system in a country.
9. There should be the avoidance of price discrimination.

### ❖ Problems of E-commerce

Electronic commerce is a modern method addressed to the needs of organisations and consumers. It helps in cutting cost and increases the speed of service.

Boeing Airplane Company launched an e-commerce site in 1996 on World Wide Web and it helps the global customers. It has warned its suppliers that they must develop the ability to conduct business through e-commerce or will not be considered for business by Boeing.

Some of the unethical practices in e-commerce are listed below:

1. There are serious discrepancies and even frauds in electronic funds transfer.
2. There are frauds in electronic cheques.
3. There are three major risks involved in the electronic payment systems, namely, fraud and mistakes, privacy issue and credit risk.
4. Some of the laws of the land are violated as e-commerce takes place between many countries of the world.

5. Since the market is not well-defined, the buyers do not have the feel of the product or service.

### Notes

### Bribery

It is commonly believed that bribes are given to secure the purchase of a commodity or service. This highly unethical practice declines the market competition. The product of the briber can no longer compete with that of other sellers in the market.

A briber can succeed in preventing other sellers from entering into a government regulated market. The bribing business firm can impose higher prices, engage in waste and neglect quality. A customs officer can ask for tips in order to expedite the process. Another tax official can reduce the tax for a bribe.

### Consumer Privacy

Consumer privacy is a modern concern for marketing. The collection, manipulation and dissemination of personal information have enabled mass invasions of consumer privacy. The loss of privacy is considered an offence. In fact, client confidentiality is as important as national security.

There are two basic types of privacy, psychological privacy and physical privacy. Psychological privacy refers to the person's thoughts and plans, personal beliefs, values and feelings. Physical privacy includes the physical activities of the individual.

Privacy has some protective functions. First of all, privacy ensures that others do not acquire information about the person; secondly privacy prevents others from interfering in our plans. We want to have our own values. Thirdly, people feel honoured by their privacy rights and get a sense of satisfaction. Fourthly, privacy helps a person to develop ties of friendship and trust. Fifthly, privacy enhances the professional relationship with other professionals. Lastly, privacy allows the people to live in a style suitable to their tastes and values.

The consumers' rights to privacy have to be balanced with the real needs of business. The following considerations have been suggested to balance the legitimate business needs with the rights of consumer privacy.

**Relevance:** The database should contain only the relevant information. Some non-economic information like political affiliation, medical history, and hobbies need not be included.

**Consent from Customers:** The consumers should be informed about the information and the consent to be obtained. This will honour the privacy of consumers.

**Purpose:** The purpose for which information is collected from the customers should be legitimate. For example, a bank can collect some information about the creditworthiness of a proposed borrower. The information about the consumers should also be as accurate as possible avoiding vague interpretations.

**Confidentiality:** The collected consumer data should be kept confidentially by the business organizations.

### Ethics and Corporate Governance

There are three formal definitions available for corporate governance. From a positive analysis, corporate governance refers to the manner in which corporations are governed. From a normative analysis, corporate governance is the manner in which corporations should be governed. From the perspective of strategic analysis, corporate governance is the way in which goals can be realised.

Donovan defines corporate governance as “an internal system encompassing policies processes and people, which serves the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savy, objectivity and integrity. Sound corporate governance is reliant on external market place commitment and legislation, plus a healthy broad culture which safeguards policies and processes.

Shleifer and Vishny define Corporate governance thus:

“Corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment”.

The Organisation for Economic Co-operation and Development (OECD) has defined corporate governance as... “a set of relationships between a company’s board, its shareholders and other stakeholders; It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.”

Adrian Cadbury has said that, “corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals.... The aim is to align as nearly as possible the interests of individuals, corporations and society”. According to SEBI, corporate governance is the acceptance by the management of inalienable rights of shareholders as the true owners of the corporation and of their own role as the trustees on behalf of shareholders.

A few more definitions are given below:

“Corporate governance is concerned with ways of bringing the interest of investors and managers into line and ensuring that firms are run from the benefit of investors.”

“Corporate governance is concerned with the relationship between the internal governance, mechanisms of corporations and society’s conception of the scope of corporate accountability.”

“Corporate governance includes the structures, processes, cultures and systems that endanger the successful operation of the organisations.”

The World Bank has defined corporate governance as “the blend of law, regulation and appropriate voluntary private sector practices which enables the corporation to attract financial and human capital perform efficiently and, thereby, perpetuate it by generating long-term economic value for its shareholders, while respecting the interests of stakeholders and society as a whole.”

1. It promotes an adequate and appropriate system of controls operative within a company and, thereby, assets can be safeguarded.
2. It prevents any single individual becoming too powerful.
3. It is concerned with the relationship between a company’s management, board of directors and all the stakeholders including shareholders.
4. The company is managed in the best interests of all.
5. It promotes transparency and accountability.
6. It aims at promoting the best corporate performance through the best corporate management practices.

## **Corporate Disclosure**

There should be the timely and balanced disclosure of matters related to the organisation so that all investors have access to clear and factual information. The annual report should record:

*Notes*

- (a) A statement of the operations of the board including decision-making;
- (b) The number of meetings of the board and the committees;
- (c) Performance evaluation of the board;
- (d) Steps taken by the board to develop an understanding of the views of major shareholders about their company;
- (e) A description of the work of the remuneration committee;
- (f) A statement from the directors that the business is a going concern with supporting assumption; and
- (g) A separate section describing the work of the audit committee in discharging responsibilities.

## Ethics, Technology and Computers

---

Computer technology is not the first technology to raise moral issues. New technologies pose ethical issues when new possibilities of human action are created. Always, new technologies create benefits as well as new problems.

*Example:* Can organ donations be allowed?

Technological growth has to be evaluated at each and every stage. Many times technological possibilities and inventions have been rejected or controlled like nuclear power. The various chemicals deplete the amount of ozone in the atmosphere causing environmental problems.

We have to admit computers have created enormous opportunities for the growth of individuals and institutions. Man could not have reached the moon nor reached this tremendous level of global communication without computers. Information technology used in the health sector has enhanced our ability to detect, diagnose and treat illness. It has created new vistas for employment, business and development.

According to James Moor, "the central task of computer ethics is to determine what we should do and what our policies should be."

### A few questions for discussion

1. Is it ethical for a business company with a web site to place a cookie on the hard drive of those who visit the site? A cookie is a mechanism that allows a website to record comings and goings.
2. Is data mining morally acceptable?
3. Should computer graphical incidents be used in courts?

The policy vacuums needing to be filled in computer technology is a good example of the fluidity and uncertainty of technology. Even before the invention of computers, there were laws like patent law, copyright and trade secrecy. These laws cannot be applied to computer software because it is difficult to conceptualise the software programmes.

Law cannot fill the policy vacuums and address the ethical issues. Though nothing is new under the sun, the computer technology has brought about new entities such as programmes, software and websites. Another special feature of IT is that it has changed the scale of many activities and operations. This naturally includes the vast data collection, statistical analysis and the large scale communication. New kinds of knowledge such as knowledge about the solar system, about weather and the economy are available. Computer technology has created a new instrumentation for human action.



## Intellectual Property Rights

Notes

TRIPS provide adequate protection of intellectual property in following categories:

- **Copyright:** The TRIPS agreement says that computer program will be protected as literary work under the Berne Convention and outline how database should be protected.

It also expands international copyright rule to cover rental right. Author of computer program and producer of sound recording must have the right to prohibit the commercial rental of their work to the public. A similar exclusive right applied to film, literary works, art, etc.

The agreement say performer must also have the right to prevent unauthorized recording, reproduction and broadcast of live performance for not less than 50 years. Producer of sound recording must have the right to prevent the unauthorized reproduction of recording for a period of 50 years.

- **Trademarks:** The agreement defines the type of sign that must be eligible for protection as a trade-mark, and it describes that the minimum rights of trademark owners. According to it service mark, must be protected in the same way as trademark used for good.
- **Geographical Indications:** This tool gives protection to goods that can be identified as originating or manufactured in the territory of a country, or a region or locality in that territory where a given quality, reputation or other characteristics of such goods is essentially attributable to its geographical origin.

A place name is sometimes used to identify a product. This "geographical indication" does not only say where the product is made. More importantly it identifies the product's special characteristic, which is the result of the product's origin. Well-known examples include "Champagne", "Scotch", "Tequila", and "Roquefort" cheese. Wine and spirit maker are particularly concerned about the use of place-name to identify product, and the TRIPS Agreement contain special provision for these types of goods. Using the place name when the product is made elsewhere or when it does not have the usual characteristic can mislead consumer, and it can lead to unfair competition. The TRIPS Agreement say countries have to prevent misuse of place name.

Some exceptions are allowed, for example, if the name is already protected as a Trademark or if it had become a generic term. But any country wanting to make an exception for these reasons must be willing to negotiate with the country which wants to protect the geographical indication in question.

- **Industrial Designs:** Under the TRIPS Agreement, industrial design must be protected for at least 10 years.

Protected design must be able to prevent the manufacture, sale or importation of article bearing or embodying a design which is a copy of the protected design.

- **Patents:** The agreement says patent protection must be available for invention for at least 20 years. Patent protection must be available for both product and process, in almost all field of technology. Government can refuse to issue a patent for an invention if it commercial exploitation is prohibited for reason of public order or morality. They can also exclude diagnostic, therapeutic and surgical method, plant and animal (other than microorganism), and biological process for the production of plant or animal (other than microbiological processes). Plant varieties, however, are protect able by patent or by a special system (such as the breeder's right

*Notes*

provided in the convention of UPOV – the International Union for the Protection of New Varieties of Plant). The agreement describe the minimum right that a patent owner must enjoy. But it also allows certain exception. A patent owner could abuse his right, for example, by failing to supply the product on the market. To deal with the situation, Article 31 of TRIPs provide the provision of Compulsory license which means a situation where a government allows an agent to produce a patented product without the consent of the original patent owner. If attempts to obtain right to produce a patented product from patentee fails and if a compulsory license is issued, then adequate remuneration will paid to the original rights holder.

If a patent is issued for a production process, then the right must extend to the product directly obtained from the process. Under certain conditions alleged infringers may be ordered by a court to prove that they have not used the patented process.

- *Layout Design for Integrated Circuit:* The scope of Layout design for integrated Circuit is to protect the chip and also the articles incorporated on it. TRIPS ensures protection for ten years.
- *Undisclosed Information and Trade Secrets:* Trade secret and other type of “undisclosed information” which have commercial value must be protected against breach of confidence and other act contrary to honest commercial practice. But reasonable step must have been taken to keep the information secret. Test data submitted to government in order to obtain marketing approval for new pharmaceutical or agricultural chemical must be protected against unfair commercial use.

Para 3 of the TRIPS states that Government should take steps to implement TRIPS. It further states that Government should impose tough penalties to check the infringement, and should keep the procedure easy, fair and equitable.

## Ethics and Environment

In the world of business, industry and commerce, environmental factors play a significant role. When global ecological systems are disturbed by certain abnormal activities of human beings and industrial organizations, it can lead to unfavorable consequences. It is, therefore, necessary for business and industry to be sensitive to the dominance of ecosystems on the physical environment.

It is not sufficient for business to be profit oriented alone, it should also take into consideration that its growth and development does not impair the health and welfare of people. Business is morally bound to serve its customers not only by delivering quality products and services but also ensure appropriate considerations towards their welfare. There should be no compromise or conflict between economic cause of business and social welfare. Every person living in urban and as well as rural areas have a right to clean and healthy environment; which no industry or business can deny on whatever grounds they may point out for their survival. Pollution control does involve certain financial aspects which will have to be reasonably considered by all the concerned sections of business and industries which directly or indirectly are responsible for polluting the environment.

Appropriate education in environmental ethics is necessary not only for men of business and industry but also for all intellectuals and common citizens.

Pollution leads to slow murder through constant exposure to vehicular, industrial or other types of pollutants that precipitate life threatening diseases like asthma, other lung

problems and related disorders. Global warming is caused by the emission of greenhouse gases. These gases are caused by use of fossil fuels which consist of burning of coal in power stations, and use of fuel extracted petroleum for powering engines of transport vehicles.

Lakes that supply drinking water are often polluted by unscrupulous persons who dump garbage, plastic waste and bathe buffaloes, wash their clothes, and clean their vehicles. Some even defecate near a lake. The remedy for preventing these unethical practices, would be to install notice boards and position security guards around their perimeters.

According to the Kyoto Protocol, 38 rich countries agreed to a 5% cut of greenhouse gas emissions. It is reported that US produces one-fourth of greenhouse gas and emits 1.6 giga tons of CO<sub>2</sub> and absorbs only 0.3 giga tons of CO<sub>2</sub>. On the other hand, India emits less than 5% of greenhouse gases.

Global warming is a factor to be taken note of because during the last four decades, global temperatures have shown an increase by 0.1°C per decade. As a result of this, there have been changes in climatic conditions in many parts of the world. Human activity has been increasing rapidly and as a result, pollution has started increasingly alarmingly in certain cities and thickly polluted urban areas.

Industrial units in the small scale sectors make use of low grade technology and thereby cause emissions which are highly toxic, affecting the nearby residential areas and other surrounding areas. Even though there do exist certain treatment plants to overcome the bad effects of pollution, still the concerned manufacturers have to extend their cooperation by reducing the hazards and meeting the cost of pollution control treatment methods even though such a step may have a drastic effect on their profits. In the capital city of India, old buses were asked to stop plying. All the buses were asked to convert to CNG in a phased manner. Further, hazardous industrial units were relocated. Such measures to control pollution may initially face some difficulties in implementation due to economic and social consequences, such as loss of jobs, etc. Further, environmentalists appeal to industrialists not to indulge in industrial practices that could harm public health. One of the examples is that of Union Carbide and the 1984 Bhopal gas leakage disaster. This resulted in the loss of nearly 16,000 human lives and nearly 500,000 persons were left with permanent health problems.

## Sexual Harassment

Women in all societies are subjected to sexual harassment. Women are the victims of this evil. Sexual harassment still remains a challenge to ethics. The Equal Employment Opportunity Commission has given the following guidelines in 1978.

The guidelines state:

“Unwelcome sexual advances, requests for sexual favours and other verbal and physical contact of a sexual nature constitute sexual harassment when

1. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment.
2. Submission to rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual.
3. Such conduct has the purpose or effect of unreasonable interfering with an individual's working environment.”


Sexual harassment is a violation of the moral standards of utilitarianism, rights, justice and care. Both legislation and education are necessary for eliminating this problem.

*Notes*

The framing and effective implementing of anti-sexual harassment policy is an effective measure. This policy has to be formulated and made known to all. In terms of this policy, apart from the offender, the employer is also subjected to punishment.


**REVISION POINTS**

1. Personal ethics requires emotional honesty, emotional intelligence and walking the talk.
2. The traditional value of humility has an important place in modern times too.
3. An individual should develop strong skills, excellent talents and adequate responsibilities in any organisation.
4. Good relationship with all the stakeholders is essential in the business and personal life.
5. Karma yoga insists on an action-oriented life and any amount of knowledge is useless unless that knowledge is put into action. We have to enjoy the journey instead of the destination.
6. Proactiveness is necessary to cope up with any situation.
7. Prevention of stress and flexibility are also necessary for personal and professional ethics.


**INTEXT QUESTIONS**

1. Define emotional intelligence.
2. Discuss the importance of emotional intelligence in modern management.
3. Examine the importance of personal ethics as a path to business ethics.
4. Discuss the various qualities necessary for the promotion of personal ethics in modern times with reference to a manager.
5. Examine the unethical practices in marketing and suggest suitable measures to introduce ethical practices in marketing.
6. What is the promotional role of advertising? Describe the unethical aspects of marketing. Examine the ethical issues of advertisement.
7. Suggest an ethics-based HR policy.
8. How can performance appraisal be made ethical?
9. How can ethical practices be introduced in production stores, supply chain management and technology?
10. Suggest measures for following ethical practices in purchase, transport, civil contract and quality control.
11. What are the sources of unethical practices in the application of computer technology in organisations? Suggest measures to introduce ethical practices in computer applications and management.

## Summary

Marketing is an important area in any business in the world. Globalisation has brought about a lot of changes in business organisations. The basic objective of marketing is to

satisfy the needs of the consumers. There are certain basic rights of consumers which have to be protected. Consumers should not be exploited by marketing strategies and practices. Advertising should promote business in positive ways. The unethical aspects of advertising should be given up. Marketing research should be done in a professional way. Marketing research should not be used as a means of developing sales. Pricing strategies should not promote discrimination among the buyers. The growth of black marketing and the creation of artificial scarcity have to be discouraged. Consumer privacy has to be protected. Industrial espionage has to be avoided.

HRM is action and development-oriented. HRM has taken new dimensions in modern times. Some unethical practices are followed both by the employers and employees in HR areas. The reward systems have to be ethical and explicit. A well-defined and designed incentive and reward systems can increase productivity. There should be no form of discrimination. Discrimination violates a person's basic moral rights. The performance appraisal should be free from unethical practices. The whistle-blowing policy has to be made clear to all. Sexual harassment is a violation of the moral standards and has to be eliminated. Ethics is important in all areas of business including operations and technology. There are many ethical issues in production such as selection of location of the plant, reduction of pollution, good working conditions for labour, safety standards quality aspects and avoidance of industrial espionage.

The ethical aspects of supply chain management have to be taken care of. Ethical guidelines have to be followed in purchase. The transport system is vital for any organisation and the ethical issues have to be applied in transport operations. Similarly, ethical guidelines have to be followed in stores, civil contract and quality control. Media ethics has to be followed by the media. There should be a permanent solution for bonded labour in India. Similarly, ethical practices have to be followed in computer applications. The Internet should be free from defects. Hacking, flame and spam have to be avoided. Computer privacy has to be protected. Virus attacks and security threats have to be managed effectively.

## Terminal Exercise

You are the secretary to the purchasing manager of Global Inc. which is involved in Baby foods product. After 4 years of service you discover that the company is involved in immoral activities – adulteration and sub-standardized. you realized these activities are unethical and could have a negative impact on stake holders. Suggest your action to stop the immoralities.

Explain the impact towards stakeholders:

- Employees
- Suppliers
- Customers
- Public

## Supplementary Materials

<http://www.wikipedia.org>

[www.indiaonestop.com/serviceindustry.htm](http://www.indiaonestop.com/serviceindustry.htm) - 57k

[business.mapsofindia.com/sectors/service.html](http://business.mapsofindia.com/sectors/service.html)

[www.iloveindia.com/economy-of-india/service-sector.html](http://www.iloveindia.com/economy-of-india/service-sector.html)

*Notes*

[www.icfaipress.org](http://www.icfaipress.org)  
[www.tutor4u.com](http://www.tutor4u.com)  
[www.managementlogs.com](http://www.managementlogs.com)  
[www.globalethicsuniversity.com](http://www.globalethicsuniversity.com)  
[www.bus.lsu.edu.com](http://www.bus.lsu.edu.com)  
[www.buzzle.com](http://www.buzzle.com)  
[www.allbusiness.com](http://www.allbusiness.com)  
[www.icaai.org.pdf](http://www.icaai.org.pdf)  
[www.jdhr.org.pdf](http://www.jdhr.org.pdf)  
[www.forensicaccounting.com](http://www.forensicaccounting.com)  
[www.forensic.com](http://www.forensic.com)  
[www.rtedwards.com](http://www.rtedwards.com)

## Assignment

---

Nothing on earth renders happiness unless one finds happiness. Historian Will Durant described how he looked for happiness in different things and was mostly disappointed. First, he looked in knowledge and found only disillusion. Later, he sought happiness in travel and found tiredness. He looked for happiness in writing but formed only fatigue.

One day, Will Durant saw a woman waiting in a tiny car with a sleeping child in her arms. A man came from a train and gently kissed the woman and then the baby softly without waking the baby. The family drove off and Will Durant realized that every normal function in life can create some delight and happiness.

### Question

How can managers carry out their managerial activities happily.

## Reference Books

---

Mittal Vivek (2007), *Business Environment*, Excel Books.

Bedi Suresh (2006), *Business Environment*, Excel Books.

Mishra, Puri (2006), *Economic Environment of Business*, Himalaya Publications House.

Spiro George W. (1993), *The Legal Environment of Business*, Englewood Cliffs, NJ Prentice Hall.

Starling, Grower (1996), *The Changing Environment of Business*, Cincinnati, OH, South Western College Publishing.

Weidenbaum, Marray L. (1999), *Business and Government in the Global Market Place*, Upper Saddle River, NJ Prentice Hall.

## Learning Activity

---

In 2007, several pharmaceutical companies in India announced their intention to stop providing incentives like gifts, cash and travel holidays to doctors to influence their prescriptions. This voluntary code was developed by OPPI (Organisation of Pharmaceutical Producers of India) which represented the major pharmaceutical companies operating in India.

This code also urged these companies to resist from making exaggerated claims about the benefits of their products.

Medical doctors around the world are known to be pampered by the drug companies with gifts and other offers. It is observed that some doctors demand expensive gifts and companies that failed to offer these gifts were refused the sales call.

The companies represented by OPPI accounted for around two-thirds of the market. There are many companies which are not a part of OPPI.

### Question

What are your comments on this case?

## Keywords

---

**HRM:** Human Resource Management.

**Ethical Dilemma:** A problem or situation that requires a person or organization to choose between alternatives that must be evaluated as right (ethical) or wrong (unethical).

**Whistle-blowing:** It is an attempt by a present or former member of an organisation to disclose the wrong acts in an organisation.

**Flame:** A searing e-mail or newsgroup message in which the writer attacks another participant in overly harsh, and often personal, terms. Flames are an unfortunate, but inevitable, element of unmoderated conferences.

**Spam:** Electronic junk mail or junk newsgroup postings. Some people define spam even more generally as any unsolicited e-mail.

*Notes*





# Ethics and Corporate Culture

UNIT

## UNIT STRUCTURE

- Introduction
- Measures to Encourage Ethical Conduct and Institutionalize Ethics Training
- Ethical Advocates
- Code of Conduct
- Formal Committees
- Ethics Audit
- Corporate Culture
- Professional Values and Professional Codes
- A Good Code of Ethics
- Managing Ethical Conduct in Modern Times
- Ethical Leadership and Ethical use of Power and Authority
- Summary
- Terminal Exercise
- Supplementary Materials
- Assignment
- Reference Books
- Learning Activity
- Keywords

## OBJECTIVES

*After studying this unit, you will be able to understand about:*

- ❖ The measures to encourage ethical conduct and institutionalize ethics training
- ❖ The code of conduct
- ❖ The ethics audit
- ❖ The corporate culture and the related values and codes.

## Introduction

There is a strong need for implementing ethical values in decision-making and implementing. Organisations may become bad because of the pressures of competition. An organisation should develop an organisational ethics programme by establishing, communication and monitoring ethical values. A strong ethics programme includes a

*Notes*

written code of conduct, an ethics office to implement, formal ethics training and ethical auditing.

Due to the growth of socio-economic conditions, there has been an increase in the professional services throughout the world. In course of time, focus has shifted to professional virtues and values. Older paradigms have given place to newer paradigms. Most professional codes of ethics require that all the transactions should be carried out with integrity, fairness, competence, objectivity, professionalism and respect for customers. These characteristics are demanded in all professions.

## Measures to Encourage Ethical Conduct and Institutionalize Ethics Training

All employees should understand the ethical values and programmes of the company. All employees have to uphold the corporate code of conduct. The effective ethical programme can help a company avoid unnecessary legal problems.

The following are the minimum requirements for ethical compliance programmes:

- The top management should be committed to the implementation of effective ethical programmes.
- The propensity for misconduct has to be checked.
- Periodic ethical training programmes have to be conducted.
- Good systems to monitor audit and report misconduct.
- There should be consistent enforcement of standards, codes and punishment.
- There should be a continuous improvement of ethical compliance programme.

Ethical training is provided in most advanced economies but not much in developing economies. Since globalisation, ethical training programmes have become popular in developing countries too. A good ethical training programme can educate all the employees about the policies and expectations of the company. The employees can also become aware of available resources and persons who can help them with ethical and legal advice. Employees can evaluate the impact of ethical decisions on the company.

The basics of ethics, the procedure for airing ethical concerns and priorities of ethics have to be taught to the employees. Managers from every department must be involved in the ethical training programme. The ethics programme should differentiate between personal and organisational ethics. Discussions should be conducted by inviting personal opinions about what should or should not be done in any particular situation.

There should be synergy between vision, mission, core values and code of conduct. The core values of the companies have to be prioritised. For instance, the core values of Disney's theme parks are 'safety', 'courtesy' and 'efficiency' in order of importance. Hence, the children are safe in these parks.

The ethical training should teach the employees to handle the ethical dilemmas. If left unattended, ethical dilemmas can create legal problems.

A good ethical programme should eliminate the belief that unethical behaviour could be justified on some grounds. Efforts to deter unethical behaviour are very important for companies' long-term relationships with stakeholders.

The ethics training programme should also be a continuous improvement programme so that the ethical standards are upgraded. There should be a shared commitment to the good business practices by all.

## Ethical Advocates

---

Privacy refers to the right of individuals to determine for themselves, when, how and to what extent, information about them is communicated to others. For example, credit reports about specific individuals to banks, employers, retailers and other agencies reveal all the economic information about individuals.

The right to privacy can be justified on the following grounds:

1. Privacy should be kept within the mind of individuals. If it is revealed to others, there would be embarrassment to individuals and others.
2. Privacy prevents others from interfering in one's plans and programmes.
3. Privacy provides the freedom to behave in unconventional ways.
4. Privacy promotes confidence as in the case of an advocate and the client.
5. Privacy enables a person to have a social image.

The consumers' rights to privacy have to be balanced with the needs of business. There are relevant considerations while disclosing consumer privacy like relevance informing, consent, accuracy, purpose and security.

Similarly, privacy of the employees has to be protected. The following privacy principles are generally followed:

1. There should be no secret collection of personal information.
2. Prior consent should be obtained for collecting personal information.
3. The collected private information should be used for the agreed purposes only.
4. The concerned individual must get access to one's own information.

Privacy has to be managed effectively. Privacy is managed in modern days with the help of video surveillance, computer use monitoring and alcohol testing. To some extent, privacy helps the employers in the running of an organization.

## Code of Conduct

---

A code of conduct is a statement that describes what an organisation is expecting from its employees. It suggests acceptable or unacceptable types of behaviour.

The code of conduct should be developed by the president, board of directors and the chief executive officer. It is suggested that the code of ethics should include trustworthiness, respect, responsibility, fairness, caring and citizenship.

Many companies have a code of conduct but not implemented effectively. All employees should be informed about the code of conduct.

### Development and Implementation of Code of Conduct

1. The values have to be identified.
2. The ethical values have to be linked to the organisation.
3. The codes of conduct have to be explained with examples which reflect values.
4. The code of conduct should be communicated to the employees in a language or style that they can easily understand.

5. The code of conduct can be revised periodically by taking into account the changes around the business world.

*Notes*

## Formal Committees

---

### The Board

The board's role is to provide an entrepreneurial leadership of the company within the framework of effective controls. The risks have to be assessed and managed. Decisions have to be taken in an objective way and the interests of the company have to be protected.

The following are the duties of directors:

1. To act in accordance with the company's constitution.
2. To promote the success of the company.
3. To exercise independent judgment.
4. To exercise reasonable care, skill and diligence.
5. To avoid conflicts of interest.
6. Not to accept benefits from third parties.
7. To declare an interest on proposed transactions or arrangements.

It is not possible for the directors to please all the shareholders at all times. Directors should have access to reliable information regularly. The board should be accountable to shareholders and provide them the relevant information.

### Chief Executive Officer

The CEO has the executive responsibility of running the business. The roles of chairman and CEO should not be exercised by the same person. The division of responsibilities between the chairman and CEO should be clearly established. Normally, a CEO should not become the chairman of the company.

### Chairman

The chairman is responsible for the effective administration of the board. The board should meet frequently and the directors should have access to all information and all the directors should have an opportunity to give their views at board meetings.

### Senior Independent Director

There should be an appointment of a Senior Independent Director (SID) who should be one of the independent non-executive directors. The SID should be available to the shareholders if they have concerns to be resolved.

The non-executive directors should meet without the chairman present at least once in a year in order to appraise the performance of the chairman. The SID will lead these meetings.

### Company Secretary

The company secretary should facilitate the work of the board by providing the necessary information to all the directors. The company secretary can advise the board, *via* the chairman on all governance matters. The company secretary will assist the professional development, needs of directors and induction requirements for new directors. The

company secretary must act in good faith and avoid conflicts of interest. The dismissal of the company secretary should be a decision of the board as a whole and not the chairman or CEO.

*Notes*

### **Audit Committee**

As an important skill committee, it should review the scope and outcome of the audit. It should ensure that the objectivity of the auditors is maintained. It provides a bridge between both internal and external auditors and the board. The board should be fully aware of all relevant issues related to the audit. It should be able to assess the financial and non-financial risks of the company.

### **Remuneration Committee**

This committee should make recommendations to the board on the company's framework of executive remuneration and its cost. It should determine remuneration packages for each of the executive directors, including pension rights and any compensation payments.

The establishment of a remuneration committee can prevent the executive director from setting their own remunerations. The remuneration of non-executive directors should be decided by the chairman and the executive members of the board.

### **Nomination Committee**

Directors were appointed on the basis of personal contacts in the past. At present, there is a formal, rigorous and transparent procedure for the appointments and recommendations to the board. A majority of members of the nomination committee should be independent non-executive directors.

This committee should evaluate the existing balance of skills, knowledge and experience on the board. It should throw its net as wide as possible for the search of suitable candidates.

### **Risk Committee**

Business operations involve risks and this committee should comprehend the risks involved in the business. The competitive advantages have to be analysed. This committee should be consisting of more of non-executive directors.

### **Non-executive Directors**

Non-executive directors are essential for good governance. They cannot be under the pressure of the Board of Directors as executive directors. The non-executive directors can add to the overall leadership and development of the company.

The non-executive directors should be independent in the presentation of their views. They should scrutinise the performance of the management in meeting agreed goals and objectives. The added value of a non-executive director may be the experience, knowledge, public life and reputation. The non-executive directors should bring an independent judgment to bear on issues of strategy, performance resources and standards of conduct.

### **Ethics Audit**

An ethics audit is a systematic evaluation of the ethical programme of an organisation. It is undertaken to determine the effectiveness of ethical programmes. It also examines the

*Notes*

effectiveness of social responsibility initiatives undertaken by the organisation. Ethical auditing measures the ethical commitment to stakeholders. It improves the ethical commitment to stakeholders like employees, customers, investors', suppliers and social activists.

Ethics auditing is similar to financial auditing and has to be conducted by an expert from outside the organisation. In financial auditing, the focus is on money flow whereas in ethics auditing, the focus is on the ethical performance of the organisation. Ethics auditing is a voluntary process.

Ethics auditing improves the organisational climate and strategy. There is an improved relationship with the stakeholders. Companies can plan for crisis management based on the ethical performance. An ethics audit can identify the employees who are violating the ethical standards of the company. The reports of ethics audit should be made known to all. The defect has to be rectified and rewards to be given for the best ethical practices. Organisations should make continuous efforts to improve the ethical standards.

## Corporate Culture

---

Corporate culture has been discussed in unit 4. Let us now understand the subject matter in more detail now.

### ❖ Critical Functions of Corporate Culture

Some of the vital functions of the corporate culture are as follows:

1. The members are integrated with the values of corporate culture. Apart from working in one organisation, all the members practice the same values, methods and approaches.
2. The members are able to relate to each other through the common practices and methods.
3. Corporate culture helps the firm to adapt to external environment. For example, privatization and globalization have initiated certain norms and practices. Corporate culture promoted the sense of adaptability to the changing external environment.
4. Corporate culture offers a unique position in the minds of stakeholders. All the stakeholders have a respect for the organisation's values and practices.

An organisation's culture is often expressed in the statement of values, memos, written codes of conduct, handbooks, manuals and other formal expressions. Sometimes corporate culture is often expressed informally through comments and other informal expressions.

### ❖ Impact of Corporate Culture

#### Meeting Goals

Corporate culture helps in meeting the goals of the organisation. The achievement of the goals requires the participation of all the stakeholders.

#### Solving Problems

The various problems faced by an organisation can be suitably solved with the growth of corporate culture. The ideas like friendliness, quality and open communication can solve many of the problems.



## Dealing with Stakeholders

Different stakeholders have different aims and goals. Corporate culture can unify these stakeholders and bring in a better performance.

*Notes*

## Measures Results

Corporate culture can bring about some measurement of results like coordination, better quality and integrated performance.

## Rewards and Punishments

Corporate culture helps an organisation to offer rewards for those who promote values and results. It also offers scope for punishing people who do not follow the norms of corporate culture expected of them. The opportunity for unethical behaviour cannot be suppressed or eliminated without enforcement of ethical codes of conduct.

## Some Global Examples

1. ABN-AMRO Bank believes in integrity, teamwork, respect and professionalism.
2. IBM is dedicated to client's success, innovation, trust and personal responsibility.
3. Boeing stresses on leadership, integrity, quality, customer satisfaction, diversity and involves team and corporate citizenship.
4. Wal-Mart aims at customer satisfaction; low costs, strong work ethics and executive commitment to visit stores, listen to customers and solicit employees' suggestions.
5. General Electric follows "workout sessions" to resolve "burning issues".
6. Microsoft follows excellent working conditions and aggressive competing.
7. Nordstrom follows exceptional service delivery to the customers, customer requests as opportunities, salaries are based on commissions and promotions are based on outstanding service.
8. Johnson & Johnson offers ethics in training programmes; it examines the character traits while recruiting; it speaks of high values in frequent communications and suggests ethical procedures in management.

## ❖ Myths of Corporate Culture

1. *Corporate culture will just happen:* In fact, corporate culture has to be brought about by training and learning. All the people have to be highly involved.
2. *Some ordinary training can bring about corporate culture:* In fact, an ordinary training cannot introduce corporate culture. All stakeholders have to be serious about corporate culture.
3. *Frequent termination of lead people can bring about corporate culture:* In fact, the people of an organisation should be serious about corporate culture. It has to be inculcated from the top.
4. *Corporate culture is just another function of HR Department:* HR Department alone cannot bring corporate culture.

*Notes*

There are seven important components called 7s of corporate culture

- Structure
- Strategy
- Systems
- Shared values
- Skills
- Style
- Staff

Whenever some change is happening in a corporate culture, first people deny the change, fear and finally accept the change in culture. There are some good trends in modern times. The business world is appreciating culture. Philosophy is becoming people-oriented. The competitive strength depends upon the support of the people. Unity and focus are the hallmarks of corporate culture.

Corporate culture should be a growth-oriented culture emphasising on future and not on past; it should concentrate on possibilities and not constraints; it should encourage risk-taking and collective rewarding; it should look for alternatives before seeking closure; it should debate before consensus and above all; it should manage conflict through values. A good corporate culture should win the hearts and minds of people.

## Professional Values and Professional Codes

---

A professional is one who has a thorough knowledge of a particular area of operation. He should have a thorough knowledge and practical skills. He should be able to implement certain tasks with care, confidence and upright conduct. A good professional should have innovative thinking, a passion for ethical accuracy and practical vision. Ethical practices have to be followed in the execution of professional skills and services. A professional should be humble and humane without any professional arrogance.

1. Every profession should be based on appropriate principles and good ethical practices.
2. Professional conduct should be guided by reason, rational thinking and independent judgement.
3. Every profession should be associated with transparency, responsibility and accountability.
4. A code of conduct is necessary for every profession. The conduct should be based on honesty, truth, **duty**, devotion, discipline and dedication.
5. Essential services **have** to be provided to people as prescribed by the code of conduct.
6. Professional services have to be offered with integrity, good skills and a human face.
7. Merit and competence should be combined in discharging every professional service.

## ❖ Distinctiveness of Professional Ethics

1. He should be a good planner by analysing the problem in a holistic manner.
2. He should be thorough regarding the extent of production per unit of time, per worker and per hour.
3. He should be able to calculate the cost of production either for goods or for services.
4. Apart from a good planner, he should be a capable executor of the plan. In the course of execution, he should be able to convert the problems as challenges and meet these challenges successfully.
5. He should be able to understand the ultimate needs of the consumers and society.
6. He should be able to look into any problem from the angle of human welfare and not mere short-term gain.
7. He should maintain a cordial industrial relationship with all the employees. In this connection, he should redress the grievances of the employees.
8. He should understand that exploitation in any form has to be eliminated.
9. He should be able to foresee the socio-economic changes taking place in the nation.
10. He should be able to motivate and lead all the employees of his organisation more by practice than by preaching.

A successful manager has to work with an open mind. A manager to be successful should have the following attributes.

1. He should be up-to-date in terms of ongoing events in the economy and industry.
2. His mind should be open to new ideas without any bias. The mind is compared to a parachute, which can function only when it is opened.
3. He should be decisive and mental alertness is required for this.
4. The policies and programmes have to be implemented by the manager effectively.
5. He should work in a climate of creativity, trust and robust optimism. Creativity and individuality are the cornerstones of a successful manager.

## ❖ Ethical Problems faced by Managers

All people irrespective of the organisations they are working for are frequently facing some ethical dilemmas regarding the right and wrong when values are in conflict. All the organisations expect loyalty from the employees. Modern society has become a cynical society with the 'distrust' and 'mistrust' of scientists, business leaders and managers. Unethical practices are increasing in organisations.

Amirai Etzioni, a famous sociologist and a visiting professor at Harvard Business School, concluded that "By and large, I clearly had not found a way to help classes full of MBAs see that there is more to life than money, power, fame and self-interest". The current and future managers have to be empowered with ethical tools and ideas to manage the ethical issues effectively.

Ethical conduct is welcomed by the emerging sections of society. The people are tired of unethical issues. The employees are clearly looking for positive guidance from their organisations. Many organisations accept the need for healthy organisations. All organisations like religious, educational philanthropic and sports organisations face ethical

*Notes*

problems. Many organisations face the problem of unethical practices and have framed codes of ethical conduct.

According to Felix Rohatyn, a New York investment banker, ethics cannot be taught past the age of ten. According to a former Dean of MIT business school, students ought to have learnt ethics from their families, clergy or previous schools.

Bad apples are just tainted people who cannot be properly trained or rehabilitated. According to this view, the bad apples have to be identified and discarded.

In reality, ethics can be taught to students. The students of business should be given utmost importance in teaching ethics. Ethics refers to the principles, norms and standards of conduct governing an individual or group. The students of business should know the ideal ethical practices in the emerging global environment. Since ethics is dealing with conduct, managers need a management approach to deal with organisational ethics. It is good to expect that people work to produce high quality products, to treat customers well and promote ethical business practices. Ethical behaviour in business is consistent with the principles, norms and standards of business practice.

Ethical practice is not related to law-abiding behaviour only. There are many ethical problems that cannot be brought under legislation. In his book, *The Republic*, Plato said, "No compulsory learning can remain in the soul...., teaching children, train them by a kind of game, and you will be able to see more clearly the natural bent of each". Ethical games can teach ethics interestingly.

According to Etzioni, most human decisions are based on ethical and emotional considerations as well as rational economic self-interest. Decisions are motivated by both economic and moral concerns. In fact, business has a huge stake in its ethical standards compared with the rest of society.

Managers care about ethics because they are interested in preventing unethical behaviour. Many workers resort to unethical behaviour during the highly competitive economic times. Employees believe that they can help a business company by fudging sales figures, abusing competitors and shortchanging customers. Modern managers have to work even harder to communicate the expected ethical conduct to their employees.

Employees are more interested in working for those companies which are ethical and serving a noble purpose. Many employees are not interested in working for a company with a history of environmental problems, insider trading and law breaking practices. Ethical corporate behaviour is important because the employees translate the ethics of the company into action.

People want to be proud of where they work. According to a study made by Cullen and Victor, workers are more committed to organisations that have a benevolent ethical climate. The organisational commitment is lower in "self-interest oriented" 'egoistic' organisations. Another study suggests that managers who found their senior management to be credible, honest and competent, report positive attachments to their organisations.

Many ethical dilemmas can be predicted in modern times. At the same time, mishandling of ethical dilemma can create more problems for the management. Some Common Ethical Problems faced by the Managers are discussed under the following heads:

### Human Resource Issues

According to Barbara Toffler, 66 percent of ethical issues involve human resources. (Toffler, 1986, *Tough Choices: Managers Talk Ethics*, New York; John Wiley & sons)

A common problem faced in knowledge industry is to retain the qualified and experienced staff. The most effective way is to create a conducive working environment.

Mutual respect and appreciation are necessary for increased production. Equity, reciprocity and impartiality are the cornerstones for the development of human resources.

### Conflicts of Interest

*Notes*

Personal and professional conflicts can also take place in any organization. A supplier promises to secure admission for the daughter of a manager in a prestigious school in a city. There are many other issues like use of company's resources, sharing information with competitors and getting gifts and compliments from suppliers.

## A Good Code of Ethics

---

### ❖ Managing People

Modern managers need to be proficient in hiring the best people, evaluate their performance and discipline them.

Ethical practices like hiring the right person for a right job, analysing the academic and work records of the person, his emotional intelligence, honest values have to be followed.

At any cost, bias has to be overcome. Hiring, promotions and even termination should be based on unbiased performance. People are bound to differ physically and psychologically. Bias and prejudice have to be overcome by the managers.

A person may perform well in one department or at one point of time. The very same person may not be good in another department or at a later point of time. That is why, continuous evaluation is becoming a necessity. The performance of the individual should go with the objectives of the organisation. The manager should continuously appraise the performance of each and every employee of his department. This appraisal should take into account both the positive and negative aspects of performance. The positive aspects should be congratulated and a feedback should be given on negative performance. A good ethical feedback should be in proportion to the extent of performance.

The act of disciplining of employees cannot be postponed. Many managers ignore the shortcomings of the workers with a hope that situation will improve. Discipline is necessary both to improve productivity and also to tone up the organisational climate.

On the basis of research done earlier, some findings have been made on the effective ways to discipline employees.

First of all, the discipline must be constructive and carried out in a professional way. The manager should not be emotional but explain to the employee the effects of indiscipline like late coming and find out the causes of indiscipline. He should also find out the ways of removing these causes of indiscipline.

- The disciplining should be done privately behind closed doors. Public criticism gives rise to hard feelings.
- The employees should be encouraged to come up their side of explanation.
- Discipline should be consistent with what other employees have received for similar offences.

In a competitive world, some terminations are bound to take place. Termination is not a pleasant function to be performed by a manager. There are some strong 'causes' for termination such as forgery, fraud, violence and sexual harassment.

Terminations have to be carried out in a most effective way. When a violent person has to be fired, some security should be present by the side of the manager. If a number of employees have to be laid off, outplacement counsellors have to be with the manager.



*Notes*

The termination news should be given well in advance. The delivery of the news should be compassionate and quick. In any case, it should not be abusive.

Rice and Dreilinger say that the desire for justice is a "fundamental human characteristic. People want to believe that the world operates on the principles of fairness; they react strongly when that belief is violated".

### ❖ Diversity in Workforce

The workforce in all organisations is diversified. Some are optimistic and few are pessimistic; some have good health and some others have some health problems; some have good habits and a few others are addicted to alcohol or tobacco; some are patient and many others have short-temper.

A manager is also a human being but he has to show his managerial skills in dealing with the diversified group of his colleagues.

Imagine your strategies to manage the following cases:

1. In a male dominated department, Malathi is the only woman. In staff meetings of that department, everybody is profusely complimenting her. They compliment her dress, the way she speaks and her style and she feels uncomfortable. She reports this matter to you. What will be your solution?
2. One of your Assistant Managers belongs to a fundamentalist church. He goes on preaching to his co-workers, customers and suppliers. You spoke to him about this politely and since then his behaviour has only escalated. What will be your reaction to solve this problem?
3. Esther is one of your well-performing colleagues. She is not only dedicated but also talented. She has given birth to the second child. After this, it is difficult for Esther to stay in the office after 5 P.M. Your office has all meetings only in the afternoons. It is difficult for Esther to be in these meetings, which are crucial in terms of market expansion, performance review and strategy formulation. The other colleagues of Esther do not like this practice of going home everyday by 5 P.M. You do not want to cause problems for Esther. Suggest a way out for this problem.

### ❖ Effective Communication

Managers should communicate their expectations both publicly and privately. Managers should be ethical in their commitments. Personal example is the best communication for management. The managers should follow the attitude of "tell me everything". They should know not only the good news but also the bad news.

Without communication, it is not possible to encourage ethical behaviour. If managers do not communicate with employees, they cannot communicate with the managers.

The managers cannot be kept in darkness. They should be able to communicate with as many employees as possible. That is why in modern times, "management by-walking around" and "open-door policies" are popular. Face-to-face communication brings satisfaction to the employees with their work life. According to many research findings, employee satisfaction is directly connected with the manager's communication related to job performance, feedback, complaints, appraisals, compensation and career objectives. Communication creates bridges and enhances the team spirit. In this way, communication becomes an ethical act.

In the case of all the written reports going from the managers, the manager must have a thorough knowledge about the contents of all reports. Lack of time and being busy otherwise are unethical practices on the part of any manager.

## Features of Ethically Effective Management

1. Integrity should be the foundation of successful management.
2. Effective two-way communication encourages right attitudes, rational emotions and sincere feelings.
3. Employees should be given a reasonable freedom to express their views.
4. The individual dignity of the employee and the group dignity of the team have to be respected.
5. Human relations have to be maintained by honest efforts line redress of grievances and frequent meetings.
6. Self-management should be successfully encouraged.
7. Decision-making should be encouraged at the operational level so as to make it effective.
8. Delegation of responsibility should be carried out in the true spirit.
9. All the employees should be gracefully guided so as to understand their responsibilities to the customers and society.
10. Social responsibility should be the common concern for all the managements.

## Malpractices of Management

Malpractices arise in management occur due to the following.

1. Non-compliance with the standard procedures.
2. Overstatement of inventory and cooked up profit and revenue statements.
3. Encouraging corrupt practices.
4. Inflating the expenses incurred by submitting false claims.
5. Not reporting some receipts of money.
6. Showing false expenses.
7. Making payments to certain parties over and above the stipulated terms of transactions and agreements.
8. Leaking confidential information through unethical ways to outsiders.
9. Unethical ways of dealing with suppliers.
10. Discouraging good ideas of colleagues by branding them as impractical, untimely, inappropriate and can be considered later.

## Code of Conduct for Professional Manager as Suggested by AIMA

1. A good manager should organise the available resources in the best possible way to achieve the objectives of the organisation.
2. He should not misuse his office for any personal gain.
3. He should implement the better and spirit of the law.
4. His conduct should uphold the reputation of professional management.
5. He should act with loyalty and honesty to the organisation.
6. He should be able to frame an efficient and practical code of conduct for the organization by consulting all his colleagues.



*Notes*

7. He should provide a healthy working climate in which innovation and free exchange of ideas are encouraged.
8. He should pay regard to the safety and protection of plant, material and processes.
9. A professional manager should take care of the interests of all the stakeholders like investors, employees, customers, suppliers, government and community.

### Code of Ethics Suggested by the National Institute of Personnel Management

1. Recognising and accepting the dignity of an individual as a human being.
2. Maintaining a high standard of integrity and behaviour pattern as demanded by the profession.
3. Conducting oneself as a responsible member of the management team.
4. Promotion of healthy human resources development practices.
5. To win the confidence and respect of both the management and employees.
6. To enhance the good name and reputation of the profession.
7. Not to allow any other interest except professional interest to interfere with office work.
8. Not to accept or offer any improper gratification in any form.

### Guidelines for Effective Professional Managers

It is said that “successful managers do not do different things. They do everything differently”.

1. Successful professional managers should be students throughout their lives. They should keep abreast of new ideas, developments and progress in their areas. They should not only ‘see’ but also have ‘vision’. They should look into areas that have been overlooked by others.
2. A professional manager should shoulder added responsibilities, participate in teamwork, give credit to others and take the blame for mistakes of the team. This requires guts and courage. This wholehearted mission develops courage, conviction and confidence.
3. He should be able to make the right decisions as quickly as possible.
4. Ordinary managers instruct and turn to other work. But professional managers ascertain whether the implementing authorities have understood the instructions.
5. He should set a high standard performance, encourage employees to better system and reward people for their positive ideas.
6. He should develop a second line and delegate authority and responsibility. A good support is necessary even for the virtuous.

### Professional Ethics for Computer Professionals

In the modern information age, there is an explosion of human knowledge. The ever increasing flow of knowledge has to be effectively channelised and efficiently used for achieving the objectives of the organisation. The vast reservoir of knowledge has necessitated the use of computers for increasing the operational efficiency of the firms.

The convergence of computer and communication technologies has led to the emergence of computer networks such as LAN (Local Area Network), MAN (Metropolitan Area Network) and WAN (Wide Area Network).

*Notes*

IT Enabled Services (ITES) have accelerated the growth of IT industry. At the same time, it is unfortunate that computer crimes have increased in India to a large extent. If an employee gains access to a customer's account number or credit card, he can transfer funds and commit financial crimes. The passwords of employees of rival companies are accessed in many countries in the world. Identity theft is the fastest growing workplace crime in India. Customer information is illegally accessed through websites. There should be a strong check and control over the computer files of employees.

The following are the important responsibilities of computer professionals:

1. The e-professionals should have up-to-date knowledge in technology. They should use the knowledge for effective and optimum use.
2. They should use their software skills for the effective decision-making.
3. They should create a healthy e-environment management with right persons, right attitudes and operating at right time. They should shutdown offensive sites.
4. They can invest in internet, develop new software and suggest the ways of effective use of enhancing business transactions.
5. They should discourage cyber crimes at any cost. They should develop a code of conduct to regulate the flow of information. IT should provide a world of glittering enlightenment and not an era of darkness.
6. In the BPO industry, it is suspected that the client information is getting leaked or sold from certain call centres. Effective preventive measures have to be followed.

For the growth of socio-economic conditions of India, computer professionals have to help the strategic planning dealing with the following areas:

1. Economic growth and forecasts
2. Social growth trends and forecasts
3. Political developments and future trends
4. Growth of employment and reduction of poverty
5. Market data and consumer behaviour
6. Growth of technology and transfer of technology
7. Nature and future of competition
8. Performance of production
9. Rate of savings and growth of capital formation
10. Performance of exports and growth of foreign trade
11. Inventory position.

### Professional Ethics for Teachers

Learning is sacred and teaching is considered a noble profession. As teaching is a noble profession, it demands nobility of heart and catholicity of mind. The ancient teachers of India of the *Gurukul* times lived strictly according to what they taught the students. Teaching was done with expertise, humility and a spirit of sacrifice. According to Gandhiji, education should stimulate the spiritual, intellectual and physical faculties of

*Notes*

children. According to Dr. Radhakrishnan, "All education is on the one hand, a search for truth; on the other hand, it is a pursuit of social betterment."

Dr. Radhakrishnan continues:

"Teachers must impart to the students quest for new experience, and love for adventure in knowledge. Love for the pupils is the first essential quality of a teacher". He further suggests that "the profession of the teacher should not be reduced to a trade; it is a calling, a vocation and a mission."

Sir Sathya Sai Baba says that "a teacher must be an example of happiness and joy chiseled by attachment to God and detachment from worldly greed. Then alone can he be a person worthy of his job".

Applied professional ethics provides teachers with the means to reflect wisely on the moral implications of what they say or do not say and what they do or do not do. An ethical dilemma is a situation in workplace faced by an individual for which there is more than one possible solution, each carrying a strong moral justification.

There are three types of students in any country, namely the gifted, moderate and under-achievers. Naturally, the teachers have to take special care of the moderate students and under-achievers. A good teacher cannot compare all the students and point out the weaknesses of under-achievers. Moreover, the socio-economic conditions of the students vary from time to time and place to place. Teachers should play the role of social agent in transforming the social situation.

Knowledge of professional ethics is necessary because professional ethics is different from personal ethics. Personal morality is concerned with personal ideas while professional ethics is concerned with the code of conduct prescribed by the professional organizations like Board of Education, UGC, AICTE. Teaching is a helping and caring profession, a service profession to help people to enhance the quality of their lives.

The UGC has given the following code of ethics for university and college teachers:

1. Higher education should promote skill and knowledge of high order.
2. It should impart scientific outlook and commitment to the ideas of patriotism, democracy, secularism and peace.
3. The university and college teachers should promote professional growth through continuous study and research.
4. They should perform their duties in the form of teaching, tutorial and mentoring.
5. They should promote a high quality of need-based research.
6. In order to make education useful and practical, they should participate in extension activities.
7. The college and university teachers should recognise the differences in aptitude and capabilities of students.
8. They should encourage scientific outlook and respect for traditions of our country.
9. They should try to take the youth of the country in the right direction.
10. They should always promote progressive ideas and reforms in different sectors of the economy.

### Professional Ethics for Lawyers

1. The lawyers should ensure the protection of righteousness or dharma in all walks of life.
2. They should have a thorough knowledge of law and be prepared to fight against injustice.
3. A good advocate should be fair and clear in his expression and behaviour.
4. A good lawyer should possess commonsense, confidence, capacity and persistence.
5. He should be fair with all his clients. In fact for the promotion of justice, he should be considerate to poor clients.
6. He should maintain cordial relations with others in legal professions and police.

### Professional Ethics for Scientists

1. Scientists have to promote the latest developments in science and technology through papers, seminars and conferences.
2. They should promote scientific temper among the younger generation.
3. Unethical practices like linking unwanted political relationship and seeking positions through influence should be avoided.
4. The senior scientists should encourage the younger and junior scientists in all activities connected with research.
5. The scientists should come forward to respect the intellectual property-related issues. There should be no room for fraud and unethical acts.
6. The scientists should come forward to apply science and scientific thinking in the promotion of quality of life of people. They should take all steps to realise that scientific spirit is available to all the people in a country.
7. Ethical attitudes among the scientific personnel should pave the way for fruitful, positive and productive scientific achievements.

### Professional Ethics for Healthcare and Pharmaceutical Professionals

1. The health of the people should be protected with minimum amount of medicines.
2. Preventive health guidelines and medical care should be given a top priority.
3. In course of time, there should be transition from a chemical approach to biology-based approach in the use of drugs.
4. The side effects of medicines should be made known to people.
5. The alternative systems of medicine should be made available to people, in general, and patients, in particular.
6. There should be a change in the lifestyle of the people for meeting some health disorders.
7. The production and distribution of duplicate medicines have to be discouraged and treated as a serious crime.

*Notes***Professional Ethics for Administrators, Police and Bureaucrats**

1. No action should be taken without a proper enquiry. Very often, the influence of political factors, money and forces compel the administrative machinery to make wrong decisions.
2. The decisions of the government should provide maximum benefits to the maximum number of people in a country. This principle is called maximum social welfare. Good government should try to satisfy the genuine needs of the people.
3. Corruption is considered an administrative cancer and has to be rooted out at all levels. Then only, the people will have confidence in the administration of any country.
4. A reformative approach based on holistic policy can enable bureaucracy to function with transparency, capability, integrity and accountability.
5. The government officials should adapt to the changes in the socio-economic environment in accordance with the aspirations, needs and urges of the people.
6. Bureaucracy should be people-oriented, people-sensitive and people-friendly.
7. The police force should maintain law and order in a dignified and effective manner. The police training should become progressive with time.

**Professional Ethics for Financial Executives and Bankers**

1. Banks should promote the spirit of savings among the people which will ultimately lead to the capital formation in the country.
2. There should be no place for computer crimes like hacking, virus and false data entry.
3. Sublime pricing has become the major reason for the failure and collapse of American banking in recent times. Some of the RBI norms like capital adequacy ratio, cash reserve ratio and statutory liquidity ratio have to be encouraged more and more.
4. Banking should be the full time job of banking professionals and not the part time of politicians. People should develop the culture of paying back the loans borrowed from banks.
5. As far as possible, micro banking has to be developed.

**Managing Ethical Conduct in Modern Times**

Modern managers need simple and practical tools for managing ethical conduct. Ethics has to be practiced in concrete terms. Ethical behaviour should be given top priority. Unethical behaviour has to be discouraged. For example, the sales force can talk about the features of the product and the ability to deliver these products within a date. False promises and assurances are to be discouraged.

In general, people want to be rewarded and want to avoid punishment. Naturally, people behave in such a way that facilitate rewards and avoid punishment. People want information about rewards system. The goals have to be established in such a way that ethical practices need be followed in achieving the targets. Unachievable goals may tempt the unethical practices.

Ethical conduct accompanied by performance can be called the ethical Pygmalion effect. For example, a salesperson who follows honesty and achieves the sales target is said to

have reached ethical Pygmalion effect. A combination of high ethical behaviour and good performance can be achieved through ethical Pygmalion effect.

The social learning theory is also influencing the ethical conduct in an organisation. In terms of social learning theory, people learn from observing the rewards and punishments of others. If good behaviour is rewarded, people want to practice it. If bad behaviour like cheating or stealing are rewarding and go unnoticed, people are tempted to follow these unethical activities.

## Ethical Leadership and Ethical use of Power and Authority

John William Gardner in his book on leadership (1990, New York: Free Press) states that an ethical leader should have the following minimum objectives:

1. Realising the human potentials.
2. Balancing the individual needs with the organisational needs.
3. Defending the fundamental values of the organisation.
4. Installing a sense of initiative and responsibility in individuals.

The vision of the leader should be based on moral values. Leadership should be linked to collective purpose. The collective purpose should be positive, promotive and progressive.

### ❖ Tasks of Ethical Leadership

The following are the important tasks of ethical leadership:

1. A good ethical leader should use sound moral judgment. A good moral judgment should take into account the long-term considerations.  
Some short-term gains prove to be dangerous in the long-term.  
Some decisions that are hasty are carrying the potential dangers affecting the organisation in the long-run.
2. The ethical leader articulates the purpose and values of the organisation. It is the virtue of practicing that elevates the status of an ethical leader. The values may not give short-term gains, but surely the values yield long-term gains.
3. The ethical leader should be able to connect ethics with business. He should be able to speak about ethics, values and the creation of values for stakeholders. This misconception that values and ethics cannot be practiced in modern days should be removed from the minds of the people.
4. The ethical leader should be able to find the best people and develop them. There is a moral imperative in developing people so that they can develop a value for themselves and others.

A good ethical manager can carry out the following activities to retain the best people selected.

- ❖ Employing innovative reward plans.
- ❖ Promotion of continuous training for improvement of quality of performance.
- ❖ Utilising the people with distinctive capabilities.
- ❖ Decentralizing operations and reliance on self-management teams.

*Notes*

5. In the business world, the constant factor is change. While many view change as a threat, ethical leaders consider change as an opportunity. The global network of the market is expected to rise to 45 bn by 2009. Securing the investment mandate of high work investors represents an immense opportunity for all the companies to increase their market share, drive client satisfaction and deliver increased shareholder value.

In order to effectively compete in the marketplace, apart from business skills, ethical skills and practices are necessary. Only then can organisations deliver true, comprehensive and customer driven wealth management services.

In a world of crises consisting of violence, war, crimes, economic decay and conflicts, treating the surface level symptoms does not work. The basic causes for this crisis are isolation, ignorance, dishonesty, discrimination, and scarcity, lack of opportunities, exploitation and selfishness. Building trustworthy networks, transcending culture, time and distance, creating true value and sharing wealth are the strategies that emerge from ethical platform. Ethical leaders in business can survive anywhere in the world like Bangalore, Singapore, Boston, Brunei, Hong Kong, Beijing, New York or Sydney.

6. An ethical leader shows by example that ego or pride can prevent the growth of any business. Accepting a good and realistic suggestion is prevented by pride or ego.

Hence, the business suffers severe setbacks when the traditional ways are not effective. "Pride goes before a fall" is a universal statement. An ethical leader does not entertain selfish personal vanity for the sake of satisfying his ego. Creativity and new ideas emanating from employees, customers and other stakeholders are encouraged by a value-based leader.

According to the philosopher, Henry David Thoreau, every man has the unquestionable ability to elevate his life by conscious efforts. Many managers by experience learn leadership qualities and elevate themselves to the status of a good ethical leader. Most of these ethical leaders exhibit the following characteristics:

- ❖ Ethical leaders are people-oriented in the sense they care about people and treat people with respect. This humanistic approach builds confidence among the staff, customers and suppliers. It also gives a new dimension to leadership namely leadership from heart.
- ❖ The ethical leaders should provide visible ethical actions by serving as a role model of ethical conduct and behaviour.
- ❖ Ethical awareness taking the interests of multiple stakeholders.
- ❖ Neutral and impartial using fairness in management.

### ❖ Ethical Use of Power and Authority

Leaders have power and influence. Power refers to the influence that leaders are having over their colleagues and subordinates.

Let us examine two styles of two managers on a identical problem. One manager says, "I want all information about our competitor tomorrow. I don't care how you get it". In this case, the subordinate may use unethical methods of data collection and even cook up some data.

Another manager says, "We require some data about our competitor. The data should be correct and reliable. At your earliest, please collect correct information". In this situation, the subordinate will collect correct all reliable data in a more balanced and ethical manner.



## Expert Power

This refers to a person's knowledge in a particular field. The credibility may come from knowledge, education, experience and exposure. An experienced advocate in a law firm influences others by his expert power in dealing with different cases. An experienced doctor in a hospital uses his knowledge and experience in treating patients. This expert power should be used in a friendly and persuasive way.

## Referent Power

This power refers to the understanding that both are benefitted by an action. In other words, the goals of both the person and department are the same. Let us take a company manufacturing a seasonal product. The marketing department has a huge order and it persuades the production department to increase the production as fast as possible. Both the heads of departments understand the importance of fast production and quick marketing.

Ethical managers use several power bases in an appropriate way to bring about the desired changes in the organisations. Power by itself is neither ethical nor unethical. But the use of power can give advance ethical issues. An ethical manager should use power in a positive way so as to bring about some good changes in the organisation. Using power in a positive way is ethical and abusing power is unethical.



### REVISION POINTS

1. A good ethical training programme can educate all the employees about the policies and expectations of the company.
2. Privacy refers to the right of individuals to determine for themselves, when, how and to what extent, information about them is communicated to others.
3. A code of conduct is a statement that describes what an organisation is expecting from its employees. It suggests acceptable or unacceptable types of behaviour.
4. An ethics audit is a systematic evaluation of the ethical programme of an organisation. It is undertaken to determine the effectiveness of ethical programmes.
5. Corporate culture helps in meeting the goals of the organisation. The achievement of the goals requires the participation of all the stakeholders.



### INTEXT QUESTIONS

1. Describe the need for ethics in framing business decisions.
2. Examine the various steps in ethical decision-making.
3. Discuss the constraints in ethical decision-making.
4. Suggest suitable guidelines to moral decision-making.
5. Explain the importance of ethical issues in modern management.
6. Discuss the role of ethical management for a professional manager in modern times.
7. Examine the professional ethics of a financial executive or a computer professional.

*Notes*

## Summary

---

All employees should understand the ethical values and programmes of the company. All employees have to uphold the corporate code of conduct. The effective ethical programme can help a company avoid unnecessary legal problems.

Privacy refers to the right of individuals to determine for themselves, when, how and to what extent, information about them is communicated to others. The consumers' rights to privacy have to be balanced with the needs of business. There are relevant considerations while disclosing consumer privacy like relevance informing, consent, accuracy, purpose and security.

A code of conduct is a statement that describes what an organisation is expecting from its employees. It suggests acceptable or unacceptable types of behaviour. The code of conduct should be developed by the president, board of directors and the chief executive officer. It is suggested that the code of ethics should include trustworthiness, respect, responsibility, fairness, caring and citizenship.

An ethics audit is a systematic evaluation of the ethical programme of an organisation. It is undertaken to determine the effectiveness of ethical programmes. It also examines the effectiveness of social responsibility initiatives undertaken by the organisation.

## Terminal Exercise

---

1. Why is it important to Encourage Ethical Conduct and Institutionalize Ethics Training?
2. State some grounds on which right of privacy can be justified.
3. What is meant by Code of conduct, explain its relevance in the functioning of organisations.
4. What is ethics audit?
5. What are the critical functions of corporate culture?
6. Explain the components of good Code of ethics.
7. What is the code of ethics suggested by the National Institute of Personnel Management?

## Supplementary Materials

---

<http://www.wikipedia.org>

[www.indiaonestop.com/serviceindustry.htm](http://www.indiaonestop.com/serviceindustry.htm) - 57k

[business.mapsofindia.com/sectors/service.html](http://business.mapsofindia.com/sectors/service.html)

[www.iloveindia.com/economy-of-india/service-sector.html](http://www.iloveindia.com/economy-of-india/service-sector.html)

[www.icfaipress.org](http://www.icfaipress.org)

[www.tutor4u.com](http://www.tutor4u.com)

[www.managementlogs.com](http://www.managementlogs.com)

[www.globalethicsuniversity.com](http://www.globalethicsuniversity.com)

[www.bus.lsu.edu.com](http://www.bus.lsu.edu.com)

[www.buzzle.com](http://www.buzzle.com)

www.allbusiness.com.  
 www.icaai.org.pdf.  
 www.jdhr.org.pdf.  
 www.forensicaccounting.com.  
 www.forensic.com  
 www.rtedwards.com

*Notes*

## Assignment

---

The Welldone Electronics Company (WEC) has an excellent national and international reputation. Its employees are proud to work for that company. This company demands total and complete loyalty and tries to influence all aspects of the lives of employees.

Christiana, a sharp young woman, has been working with WEC for over eight years as a divisional sales manager. She had been dating one MR. Johnson, who works for a competitor company. One day Christiana's boss Baldwin stated that it may lead to a conflict of interest because Johnson worked for a competitor company. He suggested her to give up dating Johnson.

Christiana could not change her mind because of the good qualities of Johnson. She was transferred from sales to the administration department. Christiana felt that the company has no business in telling her whom to meet or not after her working hours. She also resigned her job.

### Questions

1. Is there any ethical lapse on the part of the management in this case?
2. Can you offer any other suitable strategy for Baldwin?

## Reference Books

---

- Mittal Vivek (2007), *Business Environment*, Excel Books.
- Bedi Suresh (2006), *Business Environment*, Excel Books.
- Mishra, Puri (2006), *Economic Environment of Business*, Himalaya Publications House.
- Spiro George W. (1993), *The Legal Environment of Business*, Englewood Cliffs, NJ Prentice Hall.
- Starling, Grower (1996), *The Changing Environment of Business*, Cincinnati, OH, South Western College Publishing.
- Weidenbaum, Marray L. (1999), *Business and Government in the Global Market Place*, Upper Saddle River, NJ Prentice Hall.

## Learning Activity

---

Cheriyana, the little hamlet in Alappuza district in Kerala, has been declared as India's first litigation controlled and legally literate village Panchayat.

The panchayat court at Cheriyana was set up for the purpose of clearing litigations, to persuade people to reach out-of-court settlements and to spread legal awareness among the public in the region. It has settled about 400 cases in the past four years and brought down the number of litigations to a mere two.

*Notes*

This is a good example for India where public are spending a lot of time, energy and money on litigation activities. There is a 23 percent increase in the filing of the cases compared to last year. There are 3.58 crore cases pending in various courts, of which nearly 48,000 cases are with the supreme court of India. It is estimated that 5 percent of the Indian population is involved in some litigation or other. Cheriyanad has taken out a silent revolution through Cheriyanad village panchayat to educate people of India to turn away from litigations and provocations.

(Source: *The Hindu*, 9-11-2008)

**Question**

What are the reflections of this case?

**Keywords**

**Moral/immoral:** Adjectives formed from the noun morality. Interchangeable with ethical/unethical.

**Moral Principle:** A general standard for evaluating conduct, standards that we apply to all behavior and rules.

**Moral Problem:** A "conflict" in which, from the ethical point of view, all options are morally more or less appropriate, or not wrong.

**Moral Rule:** A particular directive for action. Can be positive or negative. Ex: Don't lie. Don't steal.

**Moral Value:** A type of value that serves the end of human well-being, expressing the needs and legitimate expectations of others as well as ourselves.

**Morality:** Generally used to describe one's individual ethics or ethical code.

**Obligation:** A duty. Something that it would be wrong not to do.

**On-going duties or obligations:** Duties which persist through time.

**Personal morality:** A code of ethics or set of ethical beliefs that are thought to be personal and unique to an individual.

# Social and Economic Issues

UNIT

7

## UNIT STRUCTURE

- Introduction
- Adaptation to Changing Environment
- Economic Growth and Change Areas
- Emerging Opportunities in Various Sectors
- Management Practices and Cultural Issues
- Global Political Situation
- Global Competitive Environment
- Internal Scene in India
- Summary
- Terminal Exercise
- Supplementary Materials

## OBJECTIVES

*After studying this unit, you will be able to understand about:*

- ❖ How managers have to make themselves adaptive towards the changing social and economic environment they have to operate in
- ❖ Various concepts about economic growth and change areas
- ❖ Gauge immense opportunities emerging in various sectors including social sector
- ❖ Relationship between various management practices and cultural issues
- ❖ Global political situation
- ❖ Global competitive environment
- ❖ Internal scene in India.

## Introduction

As we all know that the business organisations exist in a social environment to fulfill economic objectives, a manager has to take care of all the issues including social and economic factors. The current unit deals with all such issues to provide our future managers an added advantage over the others.

*Notes*

## Adaptation to Changing Environment

In today's competitive environment, the only thing one can be certain of is uncertainty. Everywhere else in the business, major change is occurring - changes that have forced business executives, particularly those in technical fields, to rethink the way they look at markets and, at the same time, pushed boundaries to their competitive limits. In today's world characterized by rapid unpredictable change and volatility, the sustainable ability to change is much more important than the ability to create change in the first place. Companies, like any living organism, must become learning organizations that change and adapt to suit their changing business environment.

As a contrast to the pre-internet days, today's markets are increasingly global in nature and, as a result, executives in all industries have to be comfortable with ambiguity, confident with change, open to discovery and much more nimble if they are going to be counted among the survivors. Hence the business organisations have to be truly adaptive in order to sustain themselves in the industry over a long period of time. And this rapidly changing environment may become an advantage also if the organisation knows how to make use of every opportunity available. In such organisations, the managers use information technology and fundamentally new approaches to management and organization to respond better and more quickly to customers in particular, and fast-changing conditions in the marketplace and economy at large. To overcome all the possible hurdles in the sustenance, the organisations should be based upon radically new logics of content, configuration, and change based on human capabilities rather than limitations. The three new logics for adaptive organizations include:

### New Logic of Content

The new logic of content requires that concepts of strategy, structure, and systems be widened to include a greater emphasis on human values, goals, capabilities, and efficacy.

### New Logic of Configuration

The new logic of configuration calls for a new relationship among the strategy, structure, and systems. It gives priority to supporting workforce engagement and capability.

### New Logic of Change

The new logic of change asserts that people seek meaning in work through accomplishment and contribution to shared goals of the organisation and specifies a top-down-bottom-up sequence of development activities.

Making changes to improve the overall success of one's business should be accepted as well applauded. It takes a lot of time, dedication, money, and just plain guts to alter the way an organisation functions; especially in the case of the overhauls. When done properly, changes can lead to greater production, happier employees, superior quality, and a better bottom line. However, it is when there is something missing that an organisation can harm customer relationships, frustrate employees, reduce quality, and hurt the bottom line.

The difference commonly isn't a matter of whether the change was good or not, but rather the way that changes was put into place. Even the simplest and most reasonable change cannot function if it has been added to the company's function in an impractical and non-meaningful way.

It is therefore the responsibility of an organisation to not only choose which changes are needed in order to improve its overall function, but also how and when it should take its place among the "everyday".



*Notes*

One of the best ways to discover where the problems may lie is to include the people who will be impacted by the change in the planning and implementation process. For one thing, it is the people who will be taking on the change who will best know how the change will work, and how it can be utilized. Furthermore, it will allow the affected employees to build a trust and a relationship with the management so that they can develop a belief in the change that is coming, and the motivation to make it work. Trust is also extremely vital when making a change in a business. Needless to say, when an organization does not have trust, its employees will resist any prospective changes, making them much more difficult to implement, and can even cause the change to fail.

## **Economic Growth and Change Areas**

We often hear statements like "the economy is on the growth path", "the economic growth has been high/low", "the economy is in recession", etc. All these statements pertain themselves to the growth path that the economy has taken during a particular period of time. The growth of the world economies so rampant these days, it becomes essentially important for all the managers to analyse this growth, the opportunities available and the ways they can be made full utilization of. The 'most recognized' indicators used for assessing a nation's economic growth are its Gross Domestic Product (GDP), Gross National Product (GNP) and Balance of Payments (BOP). GDP equals the market value of all the products and services that are produced by the people and property of a nation, in the period of one year. Though GNP also comprises the total produce of a nation, but it excludes the earnings of foreigners on its land and includes the amount earned by its people in nations other than the own. In other words, GDP is more towards 'where the production occurred' and is less concerned with 'who produced it'; whereas the reverse works in case of GNP.

Though both, GDP and GNP are efficient enough as the indicators of the economic growth, all over the world, GDP is favoured over GNP because of the cross-country employment stepping up gradually; thereby making the former a better estimator than its latter counterpart. An increase in these measures is a reflection of healthy and robust economic growth. Consequently, countries follow various methods to set the target values for these and strive to achieve them. 'Balance of Payments' is another variable used to assess a nation's economic growth. This statement serves as the summary of the economic transactions that occur between the residents of a given nation with the other countries, for a specific period, usually in year. The transactions which are taken care of include the ones related to goods and services. Another measure that can help in gauging the economic growth is the 'unemployment rate' in a particular economy. This gives the percentage of labor force that is capable of working but is presently un-hired because of lack of opportunities. Similarly, it can be calculated by dividing the number of people searching for work by the total strength of work force. The indicator shows the 'untapped talent pool' of a nation. There can be various types (such as Structural, Functional, Seasonal and Frictional) and causes (like less demand of goods and services, structural difficulties, regulations that may keep employers from building their work-force or even voluntary reasons) of unemployment. A rise in this index is definitely not a good sign for economic growth, as production of goods and services is affected when employable people sit idle.

Another useful indicator for economic growth of a country is its CPI i.e. Consumer Price Index. The immediate use of this ratio is in adjusting the amounts of salaries, wages, and pension in the light of inflation. This index has always been one of the most important national statistics but has gained importance and popularity like never before because of the prevailing turbulent situation in economic growth. Some countries use an older variant of CPI, i.e. WPI (Wholesale Price Index). Despite the inefficiency of this



*Notes*

parameter in indicating inflation, it is continually employed by some nations, India being one of them. The problem uncovered is that WPI, being at the wholesale level fails in showing the actual effect that an end-user experiences due to inflation. 'Stock Market Index' of countries has also been thought as an economic growth indicator. However, the credibility of crests and troughs in the values of this parameter in showing the direction economy is progressing has always been in shadows. Many a times, the strong upward pointing arrows at bourses have proved to be eye-wash and failed in guiding the governments to figure out the beneficial path. So, the utility of these indicators remain doubtful. Lastly, some other indicators that can be used for evaluating economic growth are 'industrial production', 'penetration of internet broadband', 'retail sales', etc.

Needless to say, the areas pertaining to these indicators are the most important change areas during the growth of an economy. Therefore, one should always keep god track of all of these or the most significant of these so as to make full utilization of the opportunities being presented by changing situations/conditions.

## **Emerging Opportunities in Various Sectors**

It is well known to all of us that more often than not, a business organisation exists in the market to earn profits. But can a company make profits without delivering the output it is committed to? Businesses organisations thus, produce and distribute goods and services that enhance our quality of life, promote growth, and generate prosperity. They provide a spur to innovation, reward to entrepreneurial effort, and return on investment and also constantly improve their performance responding to market feedbacks. They draw on the skills, effort and ingenuity of individual workers, and share with them the economic value created by the enterprise.

The change in the economic conditions world over has provided immense opportunities to may in various sectors. Successful management practice requires, among other things, identifying current requirements in the market place and providing relevant goods and services that satisfy these requirements. However, only firms that provide these on competitive terms will make the most of their business. In an era of globalisation, this issue becomes very significant. Policy changes and economic reforms made in one country can open up new opportunities for firms in other countries. Non-profit organizations give us ways to celebrate, build and protect many human values that give rise to healthy and thriving communities. They work to ensure that all people belonging to all strata of the society have adequate necessities of life, including clean air, water, food and shelter; an equitable share of wealth and resources; and opportunity to develop their full physical, mental and spiritual potential. They create spaces to celebrate the joy of culture and artistic expression, and reveal opportunities for generosity. Thus they present an excellent opportunity to venture so as work as well as dedicate oneself to the corporate social responsibility. The corporate houses attaching themselves with one NGO or the other, for a good cause, can not only improve their social picture, but also improve their sales thereby witness an in crease in growth of profit. Also, working with these NGOs give one a sense of internal satisfaction also as they work in many ways for the society such as helping to protect the environment and working to ensure that human capacities, technologies and organizations sustain and support, not systemically alter/degrade or destroy the Earth, its diversity of life or the ecological systems that support life.

Sectors such as IT Enabled Services (ITES), Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) are sectors that provide immense opportunity in the wake of new economic trends. The relatively low cost and high availability of skilled manpower in India have unique advantages. They enable Indian firms to provide services to developed countries in a competitive fashion. Biotechnology, Pharmacy and other

sectors in manufacturing such as auto-components and textiles also point to emerging opportunities in which the managers have to play a leading role.

The next opportunity is presented by the construction industry in India. It is one of the rapidly growing sectors and contributes significantly to the Nation's economy. The sector contributes to 10% of India's GDP. There are construction capabilities in the areas of buildings, infrastructure development and highway projects. The growth of construction industry provides impetus to other manufacturing sectors like cement, iron & steel, power, chemicals, etc.

*Notes*

The biggest opportunity is thrown by the IGBC, which is part of CII-Godrej GBC. It has taken on the initiative of promoting the Green Building concept in India. The council is represented by all stakeholders of construction industry - Corporate, Government & Nodal agencies, Architects, Material manufacturers, Institutions, Media, etc. IGBC Accredited green building professionals tap Green Building materials and equipment market.

The Green Building movement has gained tremendous momentum during the past 5 years, ever since the Green Business Centre embarked on achieving the prestigious LEED rating for their own centre at Hyderabad.

The 'Platinum Rating' for the Green Business Centre building has sensitized the stakeholders of the construction industry. Today, several corporate and Government organizations are considering Green Buildings in a major way. This has resulted in a spurt in the demand for green materials & equipment.

Today a variety of green building projects are coming up in the country - residential complexes, exhibition centers, hospitals, educational institutions, laboratories, IT parks, airports, government buildings and corporate offices.

The Indian materials and equipment manufacturers are now faced with a challenge to seriously look at green features to meet the growing demand for Green Buildings. There is a tremendous potential for construction of Green Buildings in India. This could open up a plethora of opportunities for several stakeholders like construction industry, architects, material, equipment manufacturers etc in India and abroad.

Consequently, as discussed above, there is a huge untapped market for materials required in the green building industry. A few green materials and equipment are available in the country are - Fly-ash cement, Fly-ash block, Recycled Aluminum, Recycled steel, Recycled tiles, Low VOC paints, Bamboo based products, HFC based high efficiency chillers, Building Controls, Green Roof, Recycled wood, etc., Also, they can be extended to typical examples like - Composting toilets, waterless urinals, Low VOC adhesives & sealants, CRI certified carpets, FSC Certified wood, High albedo roof paints, BIPV, CTI certified cooling towers, Living machines, etc.

The total estimated potential for Green Building materials and equipment is about 4000 Million US\$ by the year 2012. This potential is only for those buildings, which would go for the LEED rated buildings.

However there would be other buildings also which would opt for green materials & equipment. Considering these buildings also, the overall potential for Green Building materials & equipment would be at least 10-fold.

Considering the tremendous potential available for green materials & equipment, India would be the destination for several green materials and product manufacturers. The Indian Green Building Council would provide the right impetus for advancing the Green Building movement in India and enable India to be recognised as one of the leaders in Green buildings.

*Notes*

Another bright opportunity emerges from the food and beverage industry. India's is one of the rapidly growing industries in the entire world. Various factors, such as economic growth, increasing urbanization, young affluent population, and numerous regional food health and safety concerns have led to a surge in this industry.

Considering the growth potential, numerous domestic and international players have set up their facilities in a move to penetrate the flourishing market. Major investments have been made in processed food sector, such as canned goods, snack foods and ready meals. Increasing health awareness and safety concerns among Indian consumers have further propelled the segment.

Similarly, governmental organizations protect and expand the principles of democratic freedom for both individuals and communities, protecting the public interest while at the same time ensuring a level playing field of opportunity and a common framework of laws and their enforcement at a scale that matches the scale of human activity. Thus working in close liaisoning with them provides monetary as well as non monetary benefits since they have the responsibility to provide for the common security and to make decisions to promote the best interest of society.

Over the past few decades, the boundaries between the public (government), private (business), and social (non-profit) sectors have been blurring as there have been many pioneering organizations that have blended the social and environmental aims with business approaches.

Tourism presents itself as another candidate to be included in the promising sectors for growth. India has been famous for its tourist destinations for a very long time. The tourism industry in India is substantial and vibrant, and the country is fast becoming a major global destination. Also, hanks in part to its booming IT and outsourcing industry a growing number of business trips are made by foreigners to India, who will often add a weekend break or longer holiday to their trip. Foreign tourists spend more in India than almost any other country worldwide. The Tourism Ministry has also played an important role in the development of the industry, initiating advertising campaigns such as the "Incredible India" campaign, which promoted India's culture and tourist attractions in a fresh and memorable way. The campaign helped create a colorful image of India in the minds of consumers all over the world, and has directly led to an increase in the interest among tourists.

Indian tourism industry has gained an impetus additionally in wake of the advancement in health care sector. Medical tourism is the new reason for the foreign tourist to come to India quite often. With the world class state-of he- art facilities available in hospitals with best of the doctors to treat the patients and with the most effective price on list, Indian hospitals are the most sought after among patients abroad. Also, hey offer an opportunity to visit a beautiful destination.

Interestingly, new opportunities are arising in sectors as diverse as horticulture, handicrafts, agriculture, construction and even poultry.

There are many fields available to invest one's time, money and expertise in. A few of them are those of corporate social responsibility, microfinance, venture philanthropy, sustainable businesses, social enterprise, privatization, community development and others. As this activity is maturing, it is becoming formalized as a 'Fourth Sector' of the economy.

Businesses are now dedicating more resources to delivering social and environmental benefits. Cause-based marketing, the tripple bottom line, and corporate social responsibility are a few of the buzzwords that have come into usage in recent years as part of this trend. Hence, the main opportunities available are included in:

- Civic and Municipal Enterprises

- Community Development Financial Institutions
- Cross-Sectoral Partnerships
- Social Economy Enterprises
- Faith-Based Enterprises
- Non-Profit Enterprises
- Sustainable Enterprises
- Community Wealth Organizations
- Social Enterprises
- Blended Value Organizations

Thus with public and social sector organizations attempting to operate in a more businesslike method, and the line among operators of different sectors available, there are many opportunities emerging in the current industry scenario.

## **Management Practices and Cultural Issues**

For the past several decades, it has been clearly established that a strong association exists between various diversity issues related to the cross cultural presence of the workers in the business organizations. One of those issues as noted by Dr. Naichen" Chen. was that "we live and work here since it is the best location for cultural experiment and the best Moratory for humanities and social sciences. We are experimenting right here based on the virtues of compassion, mutual respect, learning from each other, and benefiting others and selves."

Organizations around the world have been realizing the cultural diversity within organization is not a negative aspect, rather can facilitate organizational stalk for glory. Nevertheless, it is not an easy task to manage employees with different cultural backgrounds. Diversity presents ever growing and new challenges for various businesses and managers especially for organizational success requiring a strong organizational culture and group cohesiveness. Cultural diversity can be managed by creating awareness among all employees about diverse values of peers, facilitating acknowledgement, support and encouragement of any employee' success by all other workers, and linking diversity to every business process and strategy such as succession planning, reengineering, employee development, performance management and review, and reward systems strategies. Let us first understand the basic reasons for difference in culture at workplace. They can be broadlined as:

- Different communication styles
- Different attitudes towards conflict
- Different approaches to completing tasks
- Different decision-making styles
- Different attitudes towards disclosure
- Different approaches to knowing

There are many different innovative ways that the organizations are adopting these days to manage diversity. For instance Tabra Incorporation, a small manufacturer of jewellery and accessories in California, USA, comprises of modest workforce in composition of Third World immigrants from Cambodia, China, El Salvador, Ethiopia, India, Laos, Mexico, Thailand, Tibet Vietnam and other nations. To acknowledge the importance of the cultural association of different employees, at least 10-12 different flags are always

*Notes*

hung from the ceiling of its main production facility which represents the countries of origin of the employees.

Thus, if cultural diversity can be managed effectively, there is a potential to use diverse workforce for organizational benefits. Here it is important to agree with V. Perry who postulates "more women today are executive vice presidents largely because they have been given the opportunities to prove themselves especially in minority and small businesses".

Continually, product and services of all kinds move across state and national borders, and so do human resources. The inevitable result has been increased diversity of the population base in the working population of the countries all over the world, and unquestionably a greater diversity in the workplace. Diversity as commonly understood refers to the heterogeneity of the population and the workforce. Clearly, as W.B. Johnstone states in his study, "the new world labor market no longer does the workplace include only individuals who are very similar to one another (that is Caucasian men); it now includes individuals of both sexes, as well as people of various races, nationalities, and ethnic backgrounds".

Diverse cultural corporations help to get better customers which has a variety of people. Moreover effectively managed multi culture companies have cost effective competitive edge. It helps in promoting minority friendly reputation among prospective employees.

Diverse group of employees are perceived to be more creative and efficient in problem solving as compared to homogenous group. This may also be explained through example of Hotel Nikko in Sydney, Australia, which has unique edge that staff members in direct guest contact areas speak a total of 34 different languages. Similarly, Qantas Flight Catering has sixty-six nationalities on staff, including various overseas-born chefs. As a result, dedicated diverse 'ethnic' kitchens give Qantas a huge competitive edge that offers food based on customer's ethnic taste and requirements. Similarly, The Cheesecake Factory had put special effort to understand Japanese quality and packaging culture as Asian employees assist management to understand Asian tastes so that they can target exports to Asia.

Ability to manage cultural diversity increases adaptability and flexibility of an organization to environmental changes. That is why a fair number of business organisations today are investing in reliable and recognized training programs to assist their employees in developing not only their learned and acquired skills but to provide the employee a sense of appreciation for the nature of diversity and to foster co-operation among culturally diverse groups. A large number of these training programs focus on valuing, and in some cases celebrating diversity, both in the breadth of thought and experience that results from diverse work-groups. Then there are also those firms that have put into place real aggressive diversity training programs because they believe that a diversity work force provides a real organizational competitive advantage. These firms, according to J. Crocket, help in winning competitive advantage through a diverse workforce.

Achieving homogeneity in organisational culture in the midst of diversified cultures various employees hail from is undoubtedly more difficult when the workplace includes individuals with vastly different backgrounds and from different countries, and especially with varied and little understood cultural frames of reference. Men, women, Europeans, Hispanics, Africans, Americans and others with diverse racial, national and ethnic backgrounds often have very different perceptions about the same situations. As a consequence, it becomes more difficult to reach a consensus on common goals and on the methods for achieving these goals.



There have been researches to find out what are the characteristics of the managers who are able to handle such issues better than their counterparts. A few of such characteristics are as under:

1. A high need to achieve
2. Filtering information for opportunity
3. High internal locus of control
4. High goal orientation
5. Always the optimist
6. Full of courage
7. Tolerance to ambiguity
8. Strong internal motivation

The development of genuinely transcultural business organisations therefore requires managerial approaches and systems which allow for variations deriving from such diversity. This might be "national" cultural diversity between nations, races or ethnic groups (eg. in a two-nation joint-venture), intra-national diversity involving the range of cultures within a single nation (eg. in the USA), or internal cultural diversity where managers need to deal with foreign-owned transnational companies in their own country (eg. a British telco manager dealing with a Korean manufacturer in the UK). But the problems go deeper than is often appreciated: it is not simply a matter of minding manners or learning to deal with varying attitudes to punctuality. These are the surface manifestations of much deeper differences in mental structures.

A few examples will make this clear.

### Negotiating Alliances

In a world in which cross-cultural joint ventures and alliances are essential, problems of ethics and trust do loom large. How is it possible to achieve a balance between the necessary and the contingent in business ethics, or in other words to allow for flexibility between a strong corporate ethic and the need to adapt to difficult local conditions? And how can we learn to build a lasting trust relationship with people from different cultures? Before going to the negotiating table, how can managers be prepared for the very different styles they will face? It is not merely a question of setting bargaining ranges, toning down confrontational styles, or following pre-established rules. That is sufficient for making a deal, but not for setting up a permanent alliance. It is essential to grasp the deep structures - religious, social, ethnic and ethical - that influence the way the opposite party will reason, the way they will react to different presentational styles, what they expect and how they listen.

This requires a level of genuine understanding which goes beyond rapidly acquired skills. "Superiority" emanates from non-verbal aspects of behaviour like the tone of voice and body language, which few people other than accomplished actors are able to control. If, humility is a key factor, how is it possible to inculcate this quality in managers whose education has often prepared them for anything but humility?

### Human Resources

The global operator obviously needs managers capable of working globally. Many companies all over the world are now recruiting "non-nationals" in order to resolve their problems quickly, but how does a human resource specialist trained in his own culture, who can make a rough assessment of a candidate's capabilities in a brief interview, deal

*Notes*

with the problems of recruiting staff in other cultures? A candidate for a top job might look great on paper, but must be culturally compatible in order to build relationships and add true value. Often, hiring managers or boards emphasize the need to challenge old thinking and move in new directions. But if an executive is too far out of step with an organization, the resulting culture clash can overwhelm the benefit. How valid is psychological testing when applied cross-culturally? How much do most human resource managers know about other school and university systems? Suppose a German manager needs to choose between, say, a Finn, an Italian and a Portuguese. That would require an awareness not only of the very different education systems in all these countries but the ways in which educational background influences patterns of thought and managerial style: how, for example, education underlies the way in which the same conflict might be addressed in France by seeking orders from a superior, in Britain by sending the people in conflict on a management course, and in Germany by employing a consultant.

### Day to Day Work

There is always the nitty-gritty of everyday working together, the problem of creating the rituals, the back-room humour and the "off-stage" relationships which are so vital to harmonious corporate life. Company jokes and in-group stories, for example, are notoriously difficult to translate into other cultures: what sounds laudable to a Indian can seem risible to an Italian. But companies which contrived to impose a global corporate culture, such as IBM, did not face the insidious cultural problems of a transnational organization.

Then, language is another problem. Although it might appear that the use of English as the common working language of the international community favours native English-speakers, this can turn into a disadvantage when one of them is unaware of the problems that a regional accent or rapid speech might create, and how linguistic confidence can be perceived as a manifestation of quasi-colonial arrogance.

At moments of strain, when a minor conflict might have irreversible consequences, simmering stereotypes and prejudices boil up. Studies of cross-cultural teams indicate that often it is the most superficially similar cultures which in the end experience the greatest traumas: while differences such as those between the US and Cuba are obvious, serious problems often occur where they are least expected - say, between India and Pakistan - and warning signals are neither perceived nor acted upon. In a business world as competitive as it will be in coming decades, nothing should be taken for granted.

Cultural training is essential to avoid potential conflict, and to improve the disastrous failure rate of joint-ventures in the recent past. In fact, most companies with global ambitions now provide cross-cultural training in order to create genuinely international managers. This sometimes involves in-house training, and is also provided by consultants and business schools. Yet much of this training deals with the traditional, superficial problems without seeking to explore the deep causes of underlying cultural differences. Another problem is that much of the research and background material is rapidly outdated as the pace of change accelerates.

In managing for excellence, and using diversity as a competitive advantage, a diverse work force fosters brand loyalty, as well as customer growth and retention. Internally, the company sees its diversity initiatives as a tool for developing a creative and knowledgeable work force that can achieve superior results. The companies should integrate diversity into its human resource process - in terms of both recruitment and training and development. One such company which has been immensely successful following this strategy is Allstate Insurance Company in USA.

Despite this viewpoint, these diversity issues in corporate world have also created a number of difficulties and problems in the workplace as well. In fact, there are those like



G. Flynn who feel as though, "this so called reverse discrimination has been the result of aggressive efforts to create a diverse workforce to be disadvantageous to white males".

All said and done, the cultural diversity will continue to grow and no doubt the issues of diversity will go on to influence those activities of the organizations that are related to their business policies, practices and management behavior. But as time has shown, the overall business benefits do far outweigh the negatives. Awareness of cultural differences and recognizing where cultural differences are at work is the first step toward understanding each other and establishing a positive working environment. To change attitudes and stereotypical perceptions does take time, and for the businesses with a diverse workforce to become successful does require applications of various management practices that make this diversity well understood, accepted and appreciated among the entire workforce.

*Notes*

## Global Political Situation

There is a new political situation in the U.S. and in the world. Even though Barack Obama's sweeping electoral victory was not entirely unexpected, now that it has happened—the reality of it—the way in which it demonstrated to the world that something big has changed about the working class in the U.S., is so stunning that many still find it hard to believe.

The long history of racism in the U.S. seemed to preclude for the foreseeable future the election of an African-American president. The meltdown on Wall Street and the gravest capitalist crisis in 75 years beat back the bigotry that could have stopped Obama's victory.

A record-breaking turnout on the part of African-American and Latin voters, and a tidal wave of young voters cemented the multinational electoral coalition that made history. Of course, the capitalist ruling class of the U.S. is still firmly in charge, the loyalty of the two ruling class political parties, including the president-elect, to U.S. imperialism is still intact.

Much of the U.S. ruling class had concluded that Obama might be the radical makeover whom the government needed to deal with the crisis ahead. But that fact cannot negate the role or the feelings of the masses in this phenomenon. Hundreds of thousands of people everywhere, Everywhere, both within and beyond the borders of the U.S., people of every race and nationality have been affected by this change in regime.

The change has already saturated showing itself. There have been steps to help people retain their lost employment and bail out the workers who are losing their homes and jobs. For this steps are also being taken to get more US workforce recruited in the outsourcing industry. Due to this, countries like India, Mexico, etc, might become sufferers.

Apart from this, the political situation in Pakistan is also of global importance. On 16 February, 2009 the Government of Pakistan entered into an agreement with representatives of the terrorist group Taliban, for a ceasefire in the Swat valley of its North West Frontier Province (NWFP) and further agreed to enforce Shariah based laws in this region. This agreement came in the wake of a two year conflict in the Swat valley where the Government forces have fought a losing battle with the local Taliban to control the region. While the people of Swat have lived with low levels of literacy and employment, with loss of control over their resources to men from the plains, the region became the playground for the elite as the "Switzerland of Pakistan". The close parallel with Kashmir - the "Switzerland of India" - with its same story of political mismanagement and oppression, low economic development and the rise of extremism, is a starking resemblance. As of the end of 2008, the forces loyal to the local Taliban leader, Maulana Fazlullah controlled the entire Swat valley and had been imposing their version of the Shariah. This included destroying more than 200 schools and banning the

*Notes*

education of girls in the region. The group destroyed government offices, police posts and tourist infrastructure. While cable television was banned, Fazlullah himself became well known as "maulana radio" for his FM broadcasts through an illegal transmitter which became the chief means of enforcing his dictat in an area where regular communications had been badly disturbed. According to some reports, almost five lakhs out of its 12.5 lakh population had to leave Swat and become refugee in other parts of Pakistan.

This success of the fundamentalist group has made it even more successful and further increased its potential to capture a bigger region of the country and even make attacks on the neighboring country India. The most common explanation for the increase in the political strength of the Taliban revolves around the weakness and complicity of the Pakistani government with these groups which have been used for Machiavellian purposes in Afghanistan, Kashmir and also to manage progressive movements within Pakistan. The active role of the Americans in creating, funding and arming these fundamentalists for the past three decades is also well known. Moreover, in the current phase, the exclusive dependence on military means by the Americans in their "war on terror" has killed and maimed thousands of civilians and destroyed many more livelihoods in these regions. All of these have contributed, in no small measure, to the rise of the Taliban.

In addition to the above, India's neighbour Sri Lanka is also involved in a civil war against the local separatist armed organization known as Liberation Tigers of Tamil Eelam (LTTE, also known as the Tamil Tigers). Since July 23, 1983, there has been on-and-off war, during which, over 70,000 people have been officially listed as killed.

After two decades of fighting and three failed attempts at peace talks, including the unsuccessful deployment of the Indian Army as a peacekeeping force from 1987 to 1990, a cease-fire was declared in December 2001. However, the limited hostilities renewed in late 2005 and the conflict began to escalate until the government launched a number of major military offensives beginning in July 2006, and drove the LTTE out of the entire Eastern province.

The government of Sri Lanka then shifted its offensive to the north of the country, and formally announced its withdrawal from the ceasefire agreement on January 2, 2008. Since then, aided by the destruction of a number of large arms smuggling vessels that belonged to the LTTE, and an international crackdown on the funding for the Tamil Tigers, the government took control of 99.8% of the territory previously controlled by them, including their de-facto capital Kilinochchi, the main military base Mullaitivu and the entire A9 highway.

As the war continues, the fate of civilians trapped in the 'no-fire zone' became a major concern for the international community. On April 22, 2009, the UN Security Council called on Tamil Tiger rebels to lay down their arms and let the UN help evacuate civilians from the war zone.

The rise of fundamentalisms and separatist groups in south Asia is surely a common threat to individuals at large and the society and businesses in particular, but the solution cannot be only military but has to be found in democratic governance which addresses the basic demands of the people.

## **Global Competitive Environment**

The great challenge facing political leaders today is to persuade the public that continuing to liberalize trade will bring more benefits than costs. Distrust of global competitive environment has perhaps never been higher. To the world economies, China and India are major reasons. There is widespread fear that globalization means job losses and lower wages as the export power of these huge nations grows. So countries are becoming more protectionist, more unwilling to deal with change and make adjustments. This has

resulted in an ever increased competition among the business organisations of various nationalities.

This competition is increasing at a fast pace because:

*Notes*

- people around the globe are more connected to each other than ever before,
- information and money flow more quickly than ever,
- goods and services produced in one part of the world are increasingly available in all parts of the world,
- international travel is more frequent,
- TV and entertainment are more globalised,
- social - cultural environment is more blending than ever and the international,
- trade barriers among nations are declining year after year,
- banking transactions are becoming easier globally,
- international communication is commonplace.

As a result, everyone is forced to compete with the cheapest producers.

Many of the apparent costs of global competition reflect domestic policy failures, to the extent that they would be better tackled through domestic policy reform than through seeking to halt the forces driving globalization

But this global competition brings greater benefits than costs. It offers the opportunity for a higher rate of sustainable growth - growth that translates into longer, healthier lives and improved living standards. And there is little evidence that governments are losing power to multinational corporations or that there is 'a race to the bottom' in environmental standards or taxation.

On average, the resultant economic growth is only benefiting the poor, and trade is benefiting the growth of economies. Since trade is also associated with lower inflation and less corruption, a significant degree of openness to trade, financial liberalization, and global financial integration are necessary conditions for sustained economic growth.

## Internal Scene in India

The world running helter-skelter due to the recessionary trend, India still is doing well economically as compared to other nations. The Union Government has introduced various financial incentives for investments in core and infrastructure sectors as also high priority industries such as information technology and through specific schemes such as Growth Centre Schemes, Electronic Hardware Technology Park (EHTP), the Transport Subsidy Schemes, the New Industrial Policy for the North Eastern States, Software Technology Park (STP), Export Promotion Zones (EPZs), Special Economic Zones (SEZs), etc.

Foreign direct investment is freely allowed in all sectors including the services sector, except where the existing and the notified sectoral policy does not permit FDI beyond a ceiling. Virtually FDI for all items/activities can be brought in through the automatic route under powers delegated to the Reserve Bank of India (RBI), and for remaining items/activities through Government approval. Government approvals are accorded on the recommendation of the Foreign Investment Promotion Board (FIPB).

Except for the following sectors, prior government approval is not required:

- Airports
- B2B e-commerce

*Notes*

- Trading companies within notified policy
- Drugs and pharmaceuticals not falling on the automatic route
- Integrated township development
- ISPs with out gateways, electronic mail and voice mail
- Courier services other than distribution of letters

This means that there is an automatic route in investment for:

- Most manufacturing activities other than those, which attract compulsory licensing /sectoral equity, cap or are reserved exclusively in small scale industries.
- Non-banking financial services.
- Infrastructure such as roads and highways, ports and harbours, electricity generation transmission and distribution, mass rapid transit systems, LNG projects, etc.
- Drugs and pharmaceuticals that does not attract compulsory licensing and involve recombinant DNA technology.
- Hotels and tourism
- Food processing
- Electronic hardware
- Software development
- Film industry
- Hospitals
- Private oil refineries
- Pollution control and management
- Exploration and mining of minerals other than diamonds and precious stones
- Management consultancy
- Venture capital funds/companies

The Export Processing Zones have also set up as enclaves separated from the Domestic Tarrif Area (DTA) by fiscal barriers, and are intended to provide an internationally competitive duty free environment for export production at low cost. This enables the products to be competitive both quality and price-wise in the international market. India has seven Export Processing Zones (EPZs), functioning at Kandla (Gujarat), Mumbai (Maharashtra), Noida(UP), Madras (Tamil Nadu), Cochin (Kerala ), Falta (West Bengal) and Visakhapatnam (Andra Pradesh).

The scheme for 100 % Export Oriented Units (EOUs) was introduced in 1980 for generating production capacity for exports. Under this scheme, the units are eligible to procure the machinery, raw materials, components, consumables, etc; from indigenous / imported sources, free of excise / custom duty. The units are required to export their entire product and achieve a minimum prescribed NFEP (Net foreign exchange as a percentage of exports) as per Exim policy for specified sectors. EOUs can make sale in the DTA, except for some specified categories. The DTA sale entitlement is 50 per cent of the FOB value of exports and this is on payment of applicable duties and subject to the fulfillment of prescribed minimum NFEP.

The development Commissioner of concerned Export Processing Zone (EPZ) is the authorized agency to allow DTA sale of production as per provision of Export Import policy in force. Under 100 % Export Oriented Unit (EOU) Scheme, the entrepreneur

can choose the location in accordance with the location policy of the Government and the premises, where the manufacturing activity is to be carried out, are custom bonded.

As an aftermath of industrial liberalization, for expeditious redressal of the problems faced by entrepreneurs, the Development Commissioners of the Export Processing Zones / Special Economic Zones have been powers to approve fresh application and also post-approval amendments as specified in the EXIM policy.

It has been decided that EOUs need not obtain separate industrial licence for the manufacture of items reserved for SSI sector, irrespective of the investment, in plant and machinery. Units undertaking to export their entire production of goods and services may be set up under the Export Oriented Unit (EOU) Schemes. Such units may be engaged in manufacture, services, repair, remaking, reconditioning, reengineering, etc.

Despite this all,

India's institutional and business environment remains 'poor', with India's 'ease of doing business' overall at 120 out of 178,

... according to the World Trade Indicators (WTI) 2008 in New Delhi on Friday (July 11).

Giving a snapshot of WTI 2008 at a Federation of Indian Chambers of Commerce and Industry (FICCI)-World Bank seminar, Dr Gianni Zanini, lead economist and trade programme leader, The World Bank Institute, said, "While India has achieved substantial reductions in tariffs since the nineties and the current external environment is relatively favourable compared to low-income and South Asian country group averages, India's agriculture exports face high barriers and its share of trade with preferential partners is low." Along with the improvement in trade facilitation, real growth in trade and related jump on trade integration has been high, driven by high import requirements of a booming economy and services exports.

WTI 2008 notes that India's governance environment has been relatively more favourable than the average South Asian or low-income country and is an improvement from the situation in the early 2000s. With severe power shortages, congested roads, and poor-quality railways and ports, deficient infrastructure is a major binding constraint to trade activity in the country.

Nonetheless, India surpasses its comparators on nearly-all aspects. Its strongest logistics indicator was timeliness of shipments, while its weakest were efficiency of customs and other border procedures and quality of transport and information technology (IT) infrastructures.

It is also ranked substantially high on the 'doing business - trading across borders' subcategory, a dramatic improvement over its previous year's rank on account of substantive reductions in the average cost (per container) and time required to trade across borders.

While the still fairly low India's per capita rate for telephones and mobile is thrice its early 2000s mean, the Internet usage) is more than seven times its early 2000s mean. Both are higher than the low-income country averages. Its secondary school enrolment is higher than both the regional and income group comparator means.

In the matter of trade policy, India has been moving towards a market-oriented trade regime since the early 1990s and its tariff protection has been substantially reduced. Nonetheless, judging by the latest Trade Tariff Restrictiveness Index (TTRI), the country's trade regime is much more restrictive than other large emerging economies like Brazil, China, Mexico, and Russia.



*Notes*

In agriculture also, the country's average tariff is very high as compared to that for non-agricultural and one of the highest in the world.

With respect to services, reforms have been pursued recently in such sectors as banking, telecommunications, electricity, insurance, retail, and higher education, albeit at a slow pace and with varying degrees of success. The very low overall General Agreement on Trade in Services (GATS) commitments index suggests ample room for far greater multilateral commitments to service liberalisation.

However, the reality is that many problems of land acquisition and utilisation, taxation, infrastructure, labour, logistics, intellectual property rights, regulations of foreign capitals, visa, and administration's inefficiency and non-transparency have not been resolved, although they are not new issues. In fact according to researches, India's land acquisition and utilisation procedures are so complicated and non-transparent that they become major obstacles to the facilitation of many lead economies' investment in India". Thus there is need for simplification and speeding up of procedure for applying for various permissions related to construction.

Thus we can say that the internal scene in India has following characteristics:

- stable economy
- continued economic growth
- governmental regulations changes
- FDI enhancements
- NRI outreach
- Reversal/slowing down of brain drain and welcome home to many
- Leveraged IT/ITES Industry strength around the world

And in general India public and/or private sectors have:

- started work on infrastructure
- leveraged their IT capability to take the lead in the global market in this industry
- expanded the reach of their already global Indian companies
- Built presence in Pharmaceutical, Medical, Bio Chemical, Cement, Financial, Rubber, Retail, Cosmetic, Design, Entertainment, Garment and food industries as well as IT.

Thus we can say that India has the ability to adapt and move beyond obstacles and barriers with seemingly graceful and instinctive responses rising from the inside out on the shoulders and in the minds of the Indian people pushing the limits of individual contributions and quietly but methodically leveraging physical and financial global presence.

## Summary

---

Thus we see that the managers have to face many global, local, technical, non technical, political, social, issues day to day as hurdles/opportunities for successful running of their organizations. To be aware of all such issues is not possible for anyone, yet being aware of what is currently happening in social as well business world is always beneficial for one.

There are a lot of stories in some media that discuss how Global competition is challenging for developing economies especially to their small and medium sized enterprises because they are being forced by this competitive environment to sell product and services to their customers, at lower prices. The reason is that if they don't, some

vendor in another part of the world might steal away their customers. However with every challenge, there are also opportunities - in some situations, the consequences of this competition can be a benefit because the shrinking world facilitated by the developments in the technological environment can bring more opportunities to the business organizations.

*Notes*

## Terminal Exercise

---

1. What is the need for organizations for adaptation to changing business environment?
2. What are the emerging opportunities in various sectors ?
3. How are the managers involved in managing cultural issues at work place?
4. Is it beneficial for an organisation to have its employees hailing from varied cultural background? Support your argument with examples.
5. What do mean by globalization? Has global competition been helpful or detrimental for the developing countries?
6. With reference to the current political scenario in the world, how do you foresee the economic activity in next 4 years?

## Supplementary Materials

---

[houston.bizjournals.com](http://houston.bizjournals.com)

Economic and Political Weekly

The Japan Chamber of Commerce and Industry in India

The Mint

The Economic Times