CHAPTER 2

BUSINESS ETHICS

POINTS DISCUSSED IN THIS CHAPTER

2.1. PRINCIPLES OF PERSONAL ETHICS

- Personal ethics might also be called **morality,** since they **reflect general expectations** of any person in any society, acting in any capacity.
- Principles of Personal Ethics include:
  - Concern for the well-being of others;
  - Respect for the autonomy of others;
  - Trustworthiness and honesty;
  - Compliance with the law;
  - Basic justice; being fair;
  - Refusing to take unfair advantage;
  - Benevolence: doing good;
  - Preventing harm

Ethical Principles

Ethical principles are universal standards of right and wrong prescribing the kind of behavior an ethical company or person should and should not engage in. These principles provide a guide to making decisions but they also establish the criteria by which your decisions will be judged by others.

2.2. PRINCIPLES OF PROFESSIONAL ETHICS OR BUSINESS ETHICS

- Individuals acting in a professional capacity take on an additional burden of ethical responsibility.
- **For example,** professional associations have codes of ethics that prescribe required behavior for those who practice profession such as medicine, law, accounting, or engineering.
- These written codes provide **rules of conduct and standards of behavior** based on the principles of professional ethics, which include:
  - Honesty
  - Integrity
  - Promise keeping
  - Loyalty
  - Fairness
  - Caring
  - Respect for others
  - Law abiding
  - Commitment to excellence
  - Reputation and morale
  - Accountability

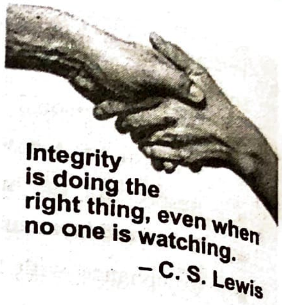
Honesty

"HONESTY IS THE FASTEST WAY TO PREVENT A MISTAKE FROM TURNING INTO A FAILURE."
– James Altucher

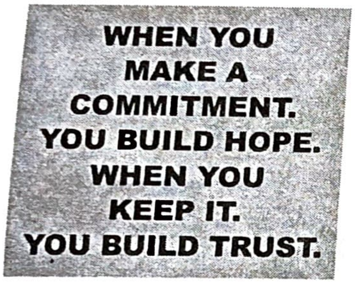
- Ethical executives should be honest in all communications and actions.
- Ethical executives are, above all, worthy of trust and honesty is the cornerstone of trust. They are not only truthful, they are candid and forthright.
- Ethical executives **do not deliberately mislead or deceive others by misrepresentations, overstatements, partial truths, selective omissions,** or any other means and when trust requires it they supply relevant information and correct misapprehensions of fact.

Integrity

- *Ethical executives shall maintain personal integrity.*
- *Ethical executives earn the trust of others through personal integrity.*
- *Integrity refers to a* **wholeness of character** *demonstrated by consistency between thoughts, words and actions.*
- *Maintaining integrity often requires moral courage, the inner strength to do the right thing even when it may cost more than they want to pay.*
- *Ethical executives are principled, honorable, upright and reliable. They fight for their beliefs and do not sacrifice principle for expediency.They live by ethical principles despite great pressure to do otherwise.*



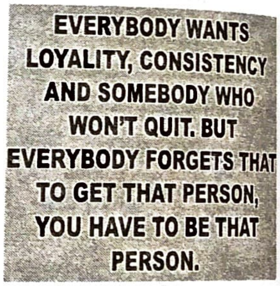
Promise Keeping



- Ethical executives shall keep promises and **fulfill commitments.**
- Ethical executives can be trusted because they make every reasonable effort to fulfill the letter and spirit of their promises and commitments.
- They do not interpret agreements in an unreasonably technical or legalistic manner in order to rationalize non-compliance or create justifications for escaping their commitments.

Loyalty

- Ethical executives shall be loyal within the framework of other ethical principles.
- Ethical executives. justify trust by being loyal to their organisation and the people they work with.
- Ethical executives place a high value on protecting and advancing the lawful and legitimate interests of their companies and their colleagues. They do not, however, put their loyalty above other ethical principles or use loyalty to others as an excuse for unprincipled conduct.



- Ethical executives demonstrate loyalty by **safeguarding their ability to make independent professional judgments.**
- They avoid conflicts of interest and they do not use or disclose information learned in confidence for personal advantage.
- If they decide to accept other employment, ethical executives provide reasonable notice, respect the proprietary information of their former employer, and refuse to engage in any activities that take undue advantage of their previous positions.

Fairness

- Ethical executives shall strive to be fair and just in all dealings.
- Ethical executives are fundamentally **committed to fairness.**
- They do not exercise power arbitrarily. They do not use improper or indecent means to gain or maintain any advantage. They do not take undue advantage of another's mistakes or difficulties.
- Ethical executives manifest a commitment to justice, the equal treatment of individuals, tolerance for and acceptance of diversity.

- They are open-minded; willing to admit they are wrong and, where appropriate, they change their positions and beliefs.

Caring

- Ethical executives demonstrate compassion and a genuine concern for the well-being of others.
- Ethical executives are caring, compassionate, benevolent and kind.
- They understand the concept of stakeholders (those who have a stake in a decision because they are affected by it) and they always consider the business, financial and emotional consequences of their actions on all stakeholders.
- Ethical executives achieve their business objectives in a manner that causes the least harm and the greatest positive good.

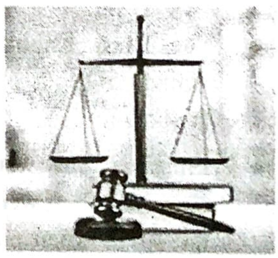
Respect for Others

When employees respect each other and get along in the workplace, it's amazing how productivity increases, morale increases and employees are more courteous to customers.

- Ethical executive shall treat everyone with **respect.**
- Ethical executives demonstrate respect for the human dignity, autonomy, privacy, rights, and interests of all those who have a stake in their decisions; they are courteous and treat all people with equal respect and dignity regardless of sex, race or national origin.
- Ethical executives adhere to the **Golden Rule,** striving to treat others the way they would like to be treated.

Golden Rule of Ethics
The Golden Rule states, "Do unto others as you would have them do unto you". Another way to rewrite the rule would be "treat others as you would like to be treated, if you were them". **For example,** I do not want my neighbor to steal my belongings, it is wrong for me to steal his belongings. Using this same reasoning, it is theoretically possible to determine whether any possible action is right or wrong. Based on Golden Rule, it would also be wrong for me to lie, to harass, to cheat, to discriminate or to kill others.

Law Abiding



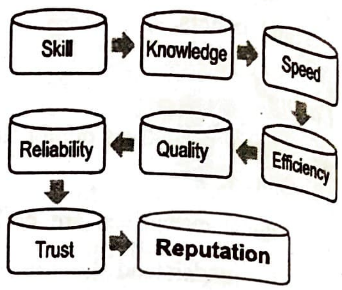
- Ethical executives shall obey the law.
- Ethical executives abide by laws, rules and regulations relating to their business activities.

Commitment to Excellence

PRODUCTIVITY IS NEVER AN ACCIDENT. IT IS ALWAYS THE RESULT OF A COMMITMENT TO EXCELLENCE, INTELLIGENT PLANNING AND FOCUSED EFFORT.
- Paul J. Meyer

- Ethical executives pursue excellence all the time in all things.
- Ethical executives pursue excellence in performing their duties, are well-informed and prepared, and constantly endeavor to increase their proficiency in all areas of responsibility.

Reputation and Morale



- Ethical executives shall build and protect and build the company's good reputation and the morale of its employees.
- Ethical executives understand the importance of their own and their company's reputation as well as the importance of the pride and good morale of employees.
- Thus, they avoid words or actions that that might undermine respect and they take positive steps to correct or prevent inappropriate conduct of others.

Accountability

- Ethical executives are accountable.
- Ethical executives acknowledge and **accept personal accountability** for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities.

2.3. EVOLUTION OF BUSINESS ETHICS OVER THE YEARS

- Business ethics has only existed as an academic field since the 1970s.
- During the 1960s, corporations found themselves increasingly under attack over unethical conduct.
- As a response to this, corporations - most notably in the US - **developed social responsibility programmes** which usually involved charitable contribution and donations to local community projects.
- This practice was mostly ad hoc and unorganized varying from industry to industry and company to company.
- Business schools in reputed universities have **incorporated 'social responsibility' courses into their academic curriculum** around this time but it was mostly focused on the law and management strategy.
- Social responsibility has been described as being a pyramid with **four types of responsibility** involved - economic (on the bottom level), then legal, ethical and finally philanthropic.
- Ethical issues were dealt with in social issues courses. However, they were not considered in their own right until the 1970s when philosophers began to write on the subject of business ethics.
- Business ethics was introduced into **Europe and Japan in the 1980s** although the term did not translate easily, and the development in each country varied from that in the United States because of socio-political-economic differences.
- It then spread in a variety of ways to other parts of the world, each time with a different local emphasis and history.
- The **UN Global Compact** was announced by then UN

UN Global Compact

The **United Nations Global Compact** is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labor, the environment and anti-corruption. Under the Global Compact, companies are brought together with UN agencies, labor groups and civil society. Cities can join the Global Compact through the Cities Programme

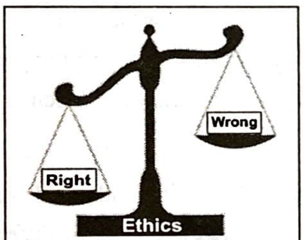
Secretary-General Kofi Annan in an address to the World Economic Forum on 31 January 1999, and was officially launched at UN Headquarters in New York City on 26 July 2000.

- Previous to this development, only management professionals, theologians and journalists had been highlighting problems of this nature on a regular basis.
- **When philosophers became involved, they brought ethical theory** to bear on the relevant ethical issues and business ethics became a more institutionalized, organized andintegral part of education in business. (**Note:** Ethical theories are explained in detail in chapter 5)
- Thereafter annual conferences, case books, journals and text books on ethics were organised and published more regularly.
- **The first conference on business ethics was held in 1974 (Bowie 1986) and the papers were published as Ethics, Free Enterprise and Public Policy (De George and Pichler 1978).**
- About the same time Richard De George developed a course in business ethics and circulated a ninety-page course curriculum to 900 interested professors in business schools and philosophy departments. In 1979 the first texts in business ethics appeared: three anthologies-one by Tom Beauchamp and Norman Bowie, another by Thomas Donaldson and Patricia Werhane, and a third by Vincent Barry - followed by two single authored texts in 1982 - one by Richard De George and the other by Manuel Velasquez.

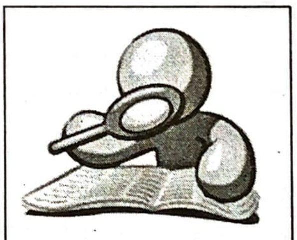
Richard De George

ISBEE
International Society of Business, Economics and Ethics

- The **International Society for Business, Economics and Ethics, which was founded in 1988**, helped to promote the growth of business ethics in countries around the world.
- This new aspect of business ethics differentiated it from social issues courses in **three ways:**



Business ethics provided an ethical framework for evaluating business and the corporate world.



It allowed critical analysis of business and development of new and different methods.

Business ethics merged personal and social responsibility together and gave it a theoretical

- In this way, business ethics had a somewhat broader remit than its predecessor (the social issues course) and was a good deal more systematic and constructive.
- Business ethics also recognized that the world of business raised new and unique moral problems not covered by personal systems of morality.
- Common-sense morality is sufficient to govern judgments about stealing from your employer, cheating customers and tax fraud. It could not provide all the necessary tools for evaluating moral justification of affirmative action, the right to strike and whistle-blowing.
- In recent years, there have been several business scandals that caused serious damage to the credibility of the companies involved, the entire industry in which they operate, and the numerous stakeholders of the business.
- The scandals about bribery, insider trading, false advertising, and the like, the stories about Enron and Arthur Andersen and Charles Ponzi scheme, constitute what is generally regarded as misconduct in business and

what the general public associates with business ethics or more precisely, with the failure of businesses to act ethically. The moral norms that are violated apply to all sections of society.

- Harshad Mehta securities scam (Rs. 50 Billion), CRB Capital Finance scam (Rs. 11 Billion), Indian Bank Scam (Rs. 13 Billion), Anubhav Plantation scam and several other scams taken place during the 1990s have shaken Indian economy and financial system. As result, **SEBI-Capital Market Regulator has introduced new rules and regulation on ethics and corporate governance for Companies in India.**Indian Companies were imposed with obligation of complying these regulations and reporting.

About – Harshad Mehta Securities Scam

Harshad Mehta was an Indian stockbroker, well known for his wealth and for having been charged with numerous financial crimes that took place in the Securities Scam of 1992. He engaged in a massive stock manipulation scheme financed by worthless bank receipts, which his firm brokered in "ready forward" transactions between banks. Mehta was convicted by the Supreme Court of India for his part in a financial scandal valued at Rs. 5000 Crores which took place on the Bombay Stock Exchange (BSE). The scandal exposed the loopholes in the Indian banking system, Bombay Stock Exchange (BSE) transaction system. He was tried for 9 years, until he died in late 2001.

About – Charles Ponzi Scheme

In a 'Ponzi' scheme, investors are offered very high return over a short period. Initial investors indeed get the promised returns. This attracts more and more investors. The earlier investors are paid out of money received from previous investors and not out of earnings from the investments. The high returns that a Ponzi scheme advertises (and pays) require an ever-increasing flow of money from investors in order to keep the scheme going.

Often, initial investors who do get returns again invest the money in same scheme due to lure of high returns. The system is doomed to collapse because there are little or no underlying earnings from the money received by the promoter. The scheme collapses and promoters of scheme run away with money.

Ponzi scheme is named for Charles Ponzi, who duped thousands of New England residents into investing in a postage stamp speculation scheme. He thought he could take advantage of differences between U.S. and foreign currencies used to buy and sell international mail coupons.

Ponzi started his scheme in 1919. He told investors that he could provide a 40% return in just 90 days compared with 5% for bank savings accounts. Ponzi was deluged with funds from investors, taking in $ 1 million. About forty thousand people purchased Ponzi promissory notes at values ranging from $ 10 to $ 50,000. Earlier investors were paid out of the money received from subsequent investors rather than from net revenues generated by any real business. Finally the scheme collapsed in August, 1920. An investigation found that Ponzi had only purchased about $ 30 worth of the international mail coupons.

Ponzi scheme continues to work on the "rob-Peter-to-pay-Paul" principle, until the whole scheme collapses. Today's schemes are often considerably more sophisticated than Ponzi's, although the underlying formula is quite similar and the principle behind every Ponzi scheme is to exploit lapses in judgment arising out of greed.

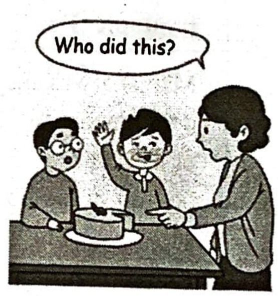
2.4. HONESTY, INTEGRITY AND TRANSPARENCY IN BUSINESS ETHICS

> "Moral authority comes from following universal and timeless principles like honesty, integrity, and treating people with respect."
>
> **- Stephen Covey**

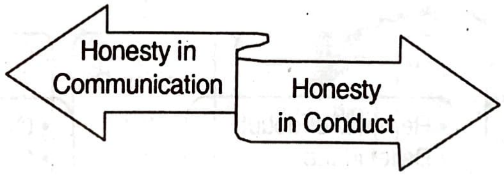
- The success of an organisation is built off of the trust of customers, employees and the general public.

  According to a Gallup poll, "68% of adults worldwide believed corruption was widespread among businesses in their country...... and 60% of adults in the U.S. responded this way in 2017....."
- The best way to gain that trust is to demonstrate honesty, integrity and transparency in business practices. It is required to be followed not because of legal requirements but because it is the **right thing to do.**
- A great example is the infamous Enron Collapse and Charles Ponzi scheme stories. Thousands of employees and investors were impacted. Which resulted in corporate collapse due to unethical behaviors and business practices.
- The integrity of a business affects all customer groups and every area of business operations. That is why it is important to incorporate honesty, integrity and transparency as core corporate value. These values will lead to accountability and protect interest of various stake holders in business. Hence, honesty, integrity and transparency are considered as touchstone of business ethics.

Honesty



- Honesty is the **backbone of trust and trustworthiness.**
- Honesty requires us to speak and act only in ways that create and justify trust.
- It seems simple concept but it is very difficult to be honest in every business decision by business man. Honesty is a broader concept than some realise and it is **applicable in personal and social life.**
- An honest business man tells the truth, is sincere, does not deceive, mislead, act devious or tricky, does not betray a trust, doesnot withhold important information in relationships of trust, does not steal, and does not cheat.
- There are two dimensions of honesty:
  - honesty in communication; and
  - honesty in conduct.
- It means, businessman shall observe honesty while he is engaged into any type of çommunication and his conduct (i.e., action, decision-making and plan).



Example Box 2.1 :

You have taken some office supplies for personal use. The office manager is now wondering where all the pens have gone and asks you if you know the answer. You answered that you did not know. It is common example about dishonesty at workplace.

Integrity

> "Real integrity is doing the right thing, knowing that nobody's going to know whether you did it or not." - **Oprah Winfrey**

- Integrity is one of the fundamental values that employers seek in the employees that they hire.
- It is the hallmark of a person who demonstrates sound moral and ethical principles at work.
- Integrity is the **foundation on which co-workers build relationships, trust, and effective interpersonal relationships.**
- A person who has integrity exhibits his values in relationships with coworkers, customers, and stakeholders.
- **Honesty and trust are central to integrity.**
- People who demonstrate integrity draw others to them because they are trustworthy and dependable. They are principled and you can count on them to behave in honorable ways even when no one is watching. They are principled enough that they perform even when no one even knows about their performance.
- Integrity is demonstrated in large ways and in small daily activities and practices.

Example Box 2.2 :

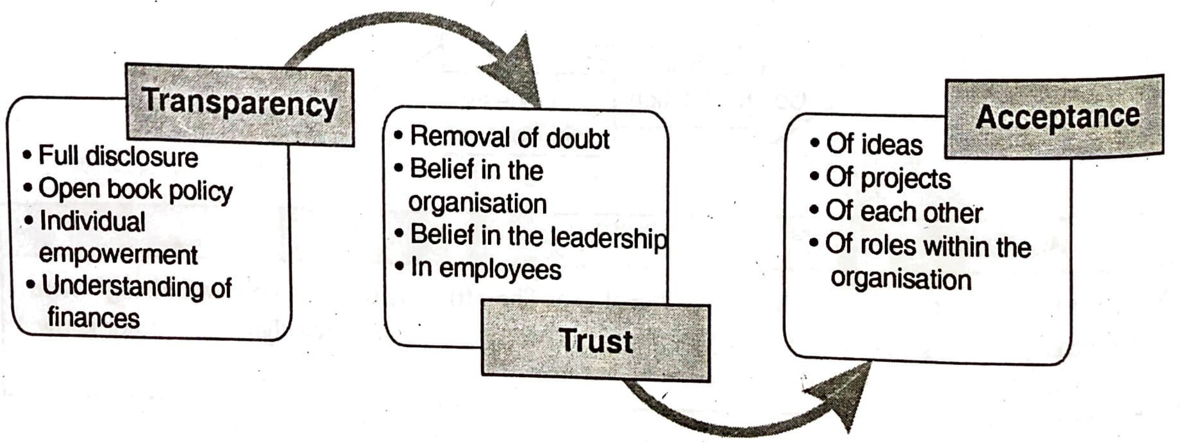
Bina went to the women's restroom and used the last bit of toilet paper in her stand. Rather than leave the dispenser empty for the next employee, she tracked down the location of the toilet paper and replaced the empty roll. It took her five minutes, but she didnot leave the next employee in a difficulty.

Example Box 2.3 :

Manisha was responsible for producing a report once a week that was used on Friday by two other departments to plan their workflow for the next week. Knowing that she planned to take advantage of her vacation time in the near future, Manisha ensured that the report would be produced as needed in her absence. She completely prepared another employee to create the report. Additionally, she wrote out the appropriate procedures so that the coworker had a guide in her absence. She supervised the trainee for two weeks so that her replacement had a chance to do the actual task.

Transparency

- Transparency is the practice of **openly and honestly disclosing information to stakeholders** in the organisation such as investors, employees and customers.
- In many cases, transparency is considered a **principle and duty.**
- Reporting financial position to shareholders and investors is principle as well as duty to be followed by auditor of company.



Example Box 2.4 :

Chief Executive Officer (CEO) of company is selling same products manufactured and sold by company through his amazon vendor listing. Here, conflict of interest is created for him. He should disclose his conflict of interest to company in appropriate manner.

Example Box 2.5

WorldCom (WCOM) was the United States' second largest long distance phone company (AT&T was largest company). From 1999 to May 2002, the company used fraudulent accounting methods to mask its declining financial condition by painting a false picture of financial growth and profitability to maintain the price of Worldcom's shares. This was because many senior employees were holding huge stocks of WorldCom shares. The fraud was carried out by underreporting of cost and expenses. Over US $7 Billion expenses were ignored. Inflating revenues with bogus accounting entries from 'corporate unallocated revenue account'. Over US $2 Billion of revenue was overstated. US Securities Exchange Commission (SEC) launched an investigation into these matters on June 26, 2002. In July, 2002, WorldCom filed for bankruptcy petition. Corporate collapse of WorldCom has caused due to lack of transparency and unethical practice followed by top management of company.

2.5. ROOT OR SOURCES OF UNETHICAL BEHAVIOUR

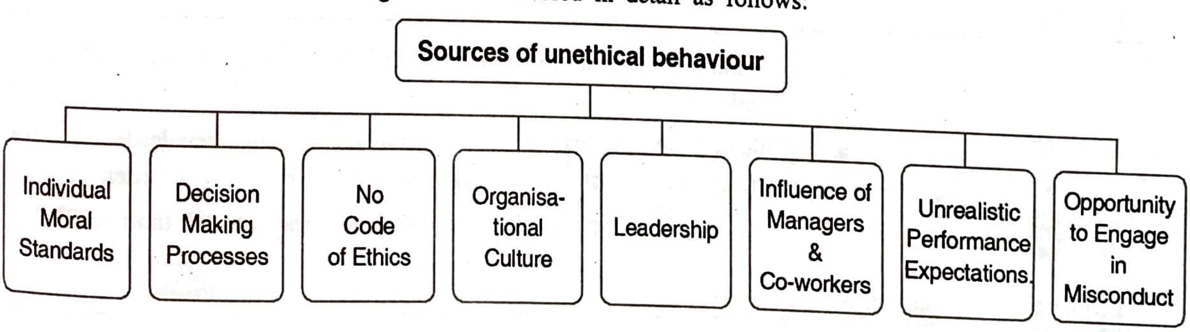
What is Unethical Behaviour?

- Unethical behavior refers to the behavior of people that **do not confirm with the acceptable standards of social and professional behavior.**
- Such behavior may include making long-distance calls from the office, duplicating the enterprise's system software to use at home, projecting a false report on the number of worked hours, or falsifying business records.
- There can be numerous factors that cause unethical behavior in the employees of an enterprise.

Ethical Behaviour

Ethical behavior is doing the right thing, even when no one else is around to witness it. It is choosing to not lie, cheat, steal or hurt others, but it is also stepping up to intervene when you are a witness to wrongdoing.

- Identifying these causes of unethical behavior in the workplace could prevent problems and minimise damages.
- Such factors are shown in diagram and discussed in detail as follows:



Individual Moral Standards

- The moral standards and sound personal values of a person exercise a significant impact on ethics in the workplace.
- An employee has to make a choice between right and wrong in different situations. His ethical behaviour affects his reputation within the company as well as the reputation of his company.
- His choices and actions depend upon his personal beliefs and value as well as reflect the understanding of his ethical responsibility as an employee.

Decision Making Process

- Studies show that employees may behave unethically because they fail to ask the relevant question– is this decision or action ethical?
- Sometime, decisions are made based on economic logic, without consideration for ethics.

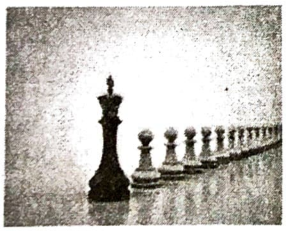
No Code of Ethics

- Employees are more likely to do wrong if they donot know what is right.
- Without a code of ethics, they may be involved in unethical practice.
- A code of ethics is a **proactive approach to addressing unethical behavior.**
- Code of ethics establishes an organisation's values and sets boundaries for adhering to those values. Everyone is accountable.

Organisation Culture

- Unethical behavior may exist in work place where organisation culture (the values and standards that are shared among employees of an organisation) that does not stress business ethics.
- Values and standards shape the culture of a work place, and that culture **influences decision making.**

Leadership



- If business leaders fail to act in an ethical manner, other employees may not act ethically.
- **Ethical behavior starts at the top.** Employees follow their leaders, and the most significant factor in ethical leadership is personal character.
- That's why it is rightly said that **"Actions speak louder than words"**.

Influence of Managers and Co-workers

- Managers and co-workers exert significant control on one's choices at workplace through authority.
- For gaining consistent ethical compliance in the company's workplace, activities and examples should be set by co-workers along with the rules and policies established by the company.

Example Box 2.6 :

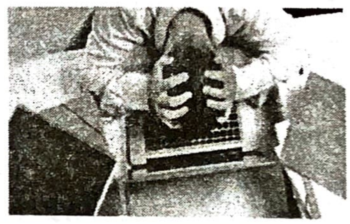
If the boss or co-workers leave office early or make personal long-distance phone calls from office and charge them to the company or uses company's assets for private purpose, every individual may be tempted to do so.

Opportunity to Engage in Misconduct

- In case the company fails to provide good examples and direction for appropriate workplace conduct, confusion and conflict will develop and will result in the opportunity for unethical behaviour.
- If punishments for undesirable behaviour are not implemented, each individual may misuse the opportunities available to him since there is no system of punishment.

Unrealistic Performance Expectation

- Pressure to meet performance goals and deadline that are **unrealistic** may force employee to engage into an unethical manner which cause unethical behavior.



2.6. DISTINCTION BETWEEN ETHICS AND VALUE

- Ethics and values together lay the **foundation for sustainability.**
- While they are sometimes used synonymously, they are different, wherein ethics are the **set of rules** that govern the behaviour of a person, established by a group or culture. Values refer to the **beliefs** for which a person has an enduring preference.
- Ethics and values are important in every aspect of life, when we have to make a choice between two things, wherein **ethics determine what is right, values determine what is important.**
- In the world of intense competition, every business works on certain principles and beliefs which are nothing but the values.
- Likewise, ethics is implemented in the organisation **to ensure the protection of the interest of stakeholders** like customers, suppliers, employees, society and government.
- We have already understood about ethics. Next point describe what is values.

What is Values?

- **Values refer to the important and enduring beliefs or principles, based on which an individual makes judgement in life.** It is at the center of our lives which act as a standard of behaviour. Examples of certain core values are included in example box 2.7

Example Box 2.7 :

Honesty, efficiency, creativity, spirit of adventure, motivation, positivity, optimism, respect, fitness, courage, education and patriotism etc.

- They severely **affect the emotional state of mind** of an individual. They can be personal values, cultural values or corporate values. Corporate values are usually expressed in the corporation's mission statement.

Some examples of corporate values for a several companies are given in example box 2.8.

Example Box 2.8 :

A commitment to innovation and excellence. **Apple Computer** is perhaps best known for having a commitment to innovation as a core value. A commitment to do good for the whole. **Google,** for example, believes in making a great search engine and building a great company without being evil. A commitment to building strong communities. **Shell Oil Company** donates millions of dollars to the University of Texas to improve student education and to match employee charitable donations.

- Values are forces that cause an individual to behave in a particular manner.
- **It sets our priorities in life,** i.e. what we consider in the first place.
- It is a **reason behind the choices we make.** It reflects what is more important for us. So, if we are true to our values and make our choices accordingly, then the way we live to express our core values.
- Moreover, if you understand an individual's values, you can easily identify what is important for him.

Key Differences Between Ethics and Values

The fundamental differences between ethics and value are described in the given below points:

- Ethics refers to the guidelines for conduct, that address question about morality. Value is defined as the principles and ideals, which helps them in making the judgement of what is more important.
- Ethics is a system of moral principles. In contrast to values, which is the stimuli of our thinking.
- Values strongly influence the emotional state of mind. Therefore it acts as a **motivator**. On the other hand, ethics **compels to follow a particular course of action.**
- **Ethics are consistent, whereas values are different for different persons,** i.e. what is important for one person, may not be important for another person.
- Values tell us what we want to do or achieve in our life, whereas ethics helps us in deciding what is morally **correct or incorrect, in the given situation.**
- Ethics determines, to what extent our options are right or wrong. As opposed to values, which defines our priorities for life.

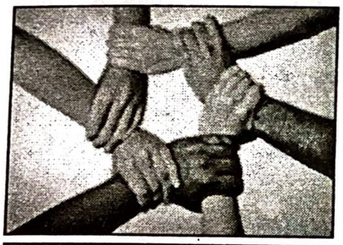
Basis for comparison	Ethics	Values
Meaning	Ethics refers to the guidelines for conduct, that address question about morality.	Value is defined as the principles and ideals that helps them in making judgement of what is more important.
What are they?	System of moral principles.	Stimuli for thinking.
Consistency	Uniform	Differs from person to person
Tells	What is morally correct or incorrect in the given situation.	What we want to do or achieve.
Determines	Extent of rightness or wrongness of our options.	Level of importance.
What it does?	Constrains	Motivates

While ethics are consistently applied over the period, and remains same for all the human beings. Values have an **individualistic approach**, i.e. it varies from person to person but remains stable, relatively unchanging, but they can be changed over time due to a **significant emotional event.**

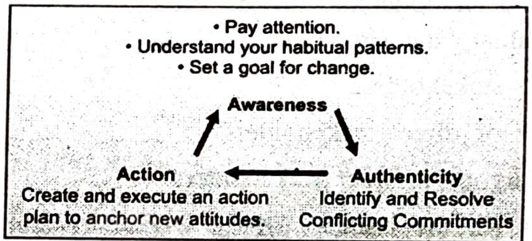
2.7. ETHICAL DECISION - MAKING

What is Ethical Decision Making?

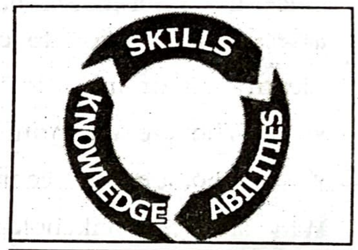
- When faced with a difficult ethical dilemma, we need ethical decision making ability to resolve it. It helps us to determine the right course of action or the right thing to do and also enables us to analyse whether another's decisions or actions are right or wrong.
- Ethical decision making is a **cognitive process** that considers various ethical principles, rules, and virtues or the maintenance of relationships to guide or judge individual or group decisions or intended actions.
- In simple language, we can say that ethical decision-making refers to the process of evaluating and choosing among alternatives in a manner consistent with ethical principles.
- While making ethical decisions, it is necessary to perceive and eliminate unethical options and select the best ethical alternative.
- **The process of making ethical decisions requires:**



Commitment: The desire to do the right thing regardless of the cost



Consciousness: The awareness to act consistently and apply moral convictions to daily behavior



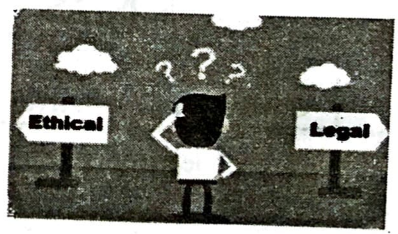
Competency: The ability to collect and evaluate inform-ation, develop alternatives, and foresee potential consequences and risks.

- Ethical decisions should express some obligations to others. If a decision merely results in benefits only to oneself, then that is not an ethical decision.

Steps for Ethical Decision Making Process

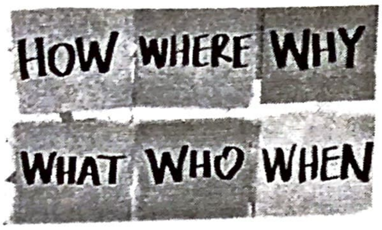
Identify Ethical Issues

- Donot jump to solutions without first identifying the ethical issue(s) in the situation.
- The decision maker must be able to determine:
  - ✓ If there is a possible violation of an important ethical principle, social law or organisational standard or policy.
  - ✓ If there are potential consequences that should be sought or avoided that develope from an action being considered to resolve the problem.



- Define the ethical basis for the issue you want to focus on.
- There may be multiple ethical issues. You shall focus on one major issue at a time.

Collect Necessary Information



- The decision maker should collect as much information as possible about which rights are being forsaken and to what degree.
- **Donot jump to conclusions** without having necessary information.
- **Ask questions** to collect information: Who, what, where, when, how, and why.
- However, facts and information may be difficult to find because of the uncertainty often found around ethical issues. Some facts are not available.
- Collect all necessary information and facts in issue before proceeding.
- Clarify what assumptions you are making!

Evaluate the Information and Identify Affected Stakeholders

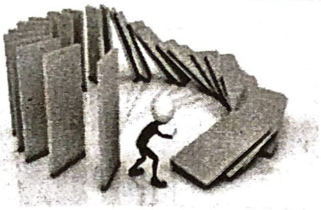
- Once the information has been collected, the decision maker must apply some type of standard or assessment criterion to evaluate the situation.
- Identify all of the affected stakeholders
  - ✓ Who are the primary or direct stakeholders?
  - ✓ Who are the secondary or indirect stakeholders?
- Why are they stakeholders for the issue?
  - ✓ Perspective-taking — Try to see things through the eyes of those individuals affected
- **RADCAB Model** can be used to evaluate the information.

RELEVANCY	Is the information relevant to the question at hand? Am I on the right track?
APPROPRIATENESS	Is the information suitable to my age and core values?
DETAIL	How much information do I need? Is the depth of coverage adequate?
CURRENCY	When was the information published or last updated?
AUTHORITY	Who is the author of the information? What are his or her qualifications?
BIAS	Why was this information written? Was it written to inform me, persuade me, entertain me, or sell me something?

Consider Alternatives

- The decision maker needs to generate a set of possible action alternatives, such as:
  - ✓ confronting another person's actions,
  - ✓ seeking a higher authority, or
  - ✓ stepping in and changing the direction of what is happening.

Identify the Consequences



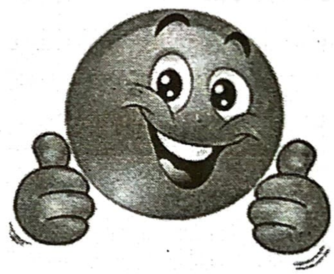
- Think about **potential positive and negative consequences** for affected parties by the decision (Focus on primary stakeholders to simplify analysis until you become comfortable with the process).
- Also identify, what are the magnitude of the consequences and the probability that the consequences will happen.
- **Short term vs. Long term consequences** – will decision be valid over time.
- Broader systemic consequences – tied to symbolic and secrecy

✓ Symbolic consequences	Each decision sends a message.
✓ Secrecy consequences	What are the consequences if the decision or action becomes public?

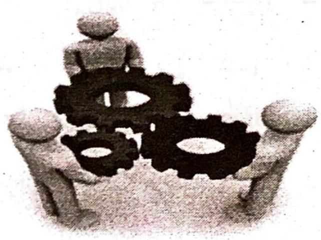
- Also consider **relevant cognitive barriers/biases.**
- Consider what your decision would be based only on consequences – then move on and see if it is similar given other considerations.

Make a Decision

- The decision maker should seek the action alternative that is supported by the evaluation criteria used in above step.
- A decision maker selects a course of action that is supported by all the ethics theories or other evaluation criteria used in the decision- making process.



Implement Decision



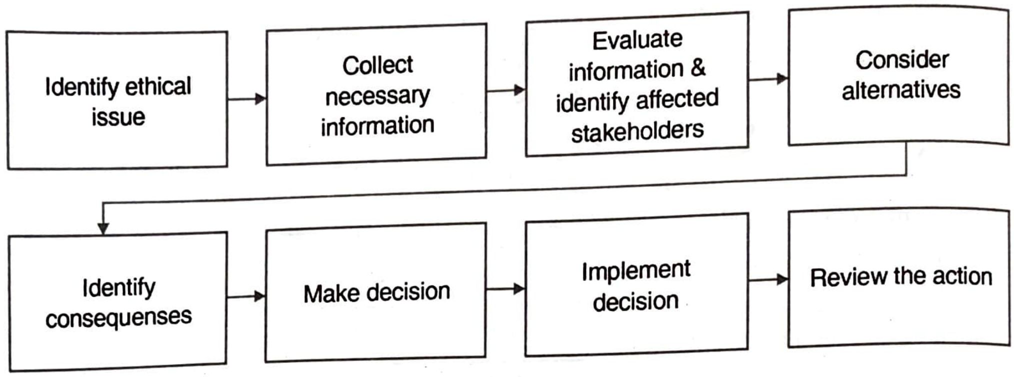
- The decision maker, if truly seeking to resolve the problem being considered, must take action.
- The decision maker should **document his decision** which may include an explanation of how it is best course of an action and its possible outcome or result.

Review the Action

- Once the action has been taken and the results are known, the decision maker should **review the consequences of the action.**
- If the optimal resolution to the problem is not achieved, the decision maker may need to modify the actions being taken or return to the beginning of the decision-making process.

1.What were our intended results? **(What was planned?)**	3. What caused our results? **(Why did it happen?)**
2. What were our actual results? **(What really happened?)**	4. What will we sustain? Improve? **(What can we do better next time?)**

- Decide on the proper ethical action and be prepared to deal with opposing arguments.



Good Decisions are Both Ethical and Effective

- Ethical decisions generate and sustain trust; demonstrate respect, responsibility, fairness and caring; and are **consistent with good citizenship.**
- These behaviors provide a foundation for making better decisions by setting the ground rules for our behavior.
- Effective decisions are effective if they accomplish what we want accomplished and if they advance our purposes.
- A choice that produces unintended and undesirable results is ineffective.
- The key to making effective decisions is to think about choices in terms of their ability to accomplish our most important goals.
- This means, we have to understand the difference between immediate and short-term goals and longer-term goals.

• PRACTICE QUESTIONS •

1. What are the principles of personal ethics?
2. What are the principles of professional ethics?
3. How business ethics was evolved?
4. Write short note on: Role of honesty, integrity and transparency in business ethics
5. Honesty, integrity and transparency are three pillars of business ethics. Do you agree?
6. What do you mean by unethical behaviour?
7. Discuss in brief sources of unethical behaviour.
8. What is value?
9. Distinguish between ethics and value?
10. What is ethical decision making?
11. Explain in brief steps to be taken for ethical decision making.

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