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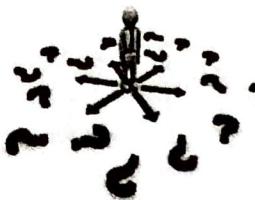
CHAPTER

ETHICAL DILEMMAS, SOURCES AND THEIR RESOLUTIONS

PPOINTS DISCUSSED IN THIS CHAPTER

- 3.1. What is an Ethical Dilemma?
- 3.2. Sources of Ethical Behaviour
- 3.3. How to Resolve an Ethical Problem
- 3.4. Code of Professional Ethics for Employees
- 3.5. How to Resolve Ethical Dilemma
- 3.6. Case Study on Ethical Dilemma

3.1. WHAT IS AN ETHICAL DILEMMA ?



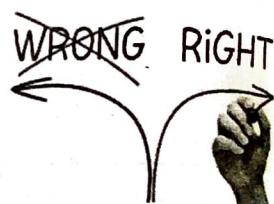
- Ethical dilemma is also known as moral dilemma.
- An ethical dilemma involves the need to choose one option from among two or more morally acceptable courses of action. Here, one choice prevents selecting the other. Further there may also be a situation where we are forced to choose between equally unacceptable alternatives.

- ◆ An ethical dilemma is a situation where the decision-maker has to choose between:
 - right and right; or
 - right and wrong

Example Box 3.1 :

In Ramayana, Rama had to choose between two Dharmas – (a) to abide by his father's words and proceed to the forest for 14 years, or (b) to ignore his father's words and rule the country as a Kshatriya Prince. Both these alternatives constitute "right action" by applying different yardsticks/viewpoints.

- ◆ A dilemma could be a right vs. wrong situation in which the right would be more convenient. A right versus wrong dilemma is easier to resolve.
- ◆ An ethical dilemma is a situation that will often involve an apparent conflict between moral imperatives, in which to obey one would result in disobeying another. This is also called an ethical paradox.
- ◆ An ethical dilemma involves a situation that makes a person question what is the 'right' or 'wrong' thing to do.



Example Box 3.2 :

In the case of a salesperson, does offering a gift to a customer constitute a bribe or sales promotion?

- ◆ Ethical dilemmas make individuals think about their obligations, duties or responsibilities.
- ◆ These dilemmas can be highly complex and difficult to resolve. Easier dilemmas involve a decision between right and right. However, any dilemma needs to be resolved.
- ◆ Every person can encounter an ethical dilemma in almost every aspect of their life, including personal, social, and professional. Example Box 3.3 illustrate ethical dilemma in social life.

Example Box 3.3 :



Manish had several friends including Rajesh and Dinesh. Rajesh has recently met and started dating a wonderful lady named Pushpa. He is convinced this is a long term relationship. Unknown to Rajesh, Manish observed them at a restaurant several days ago and realised Pushpa is the wife of his other friend Dinesh. Manish is deciding whether to tell Rajesh that Pushpa is married when he receives a call from Dinesh. Dinesh suspects his wife is having an affair and since they and Manish share many friends and contacts, he asks if Manish has heard anything regarding an

affair. To whom does Manish owe greater friendship to in this situation? If Manish informs any one of his friend, his friendship is going to end up hurting one, if not both friends. Does he remain silent and hope his knowledge is never discovered?

Characteristics of Ethical Dilemma

- ◆ Choice between equally undesirable alternatives
- ◆ Different courses of action possible
- ◆ Involves value judgments about actions or consequences
- ◆ Data will not help to resolve issue
- ◆ Different sources (psychology, theology) offer solutions
- ◆ Unfavourable outcomes
- ◆ Choices have far-reaching effects on persons, relationships and society
- ◆ Resources which must be allocated are finite or limited
- ◆ It can be resolved. It cannot be solved
- ◆ There is no "right" or "wrong".

Ethical Dilemmas in Business

- ◆ Ethical dilemmas are especially significant in business life, as they frequently occur at the time of decision making in business.



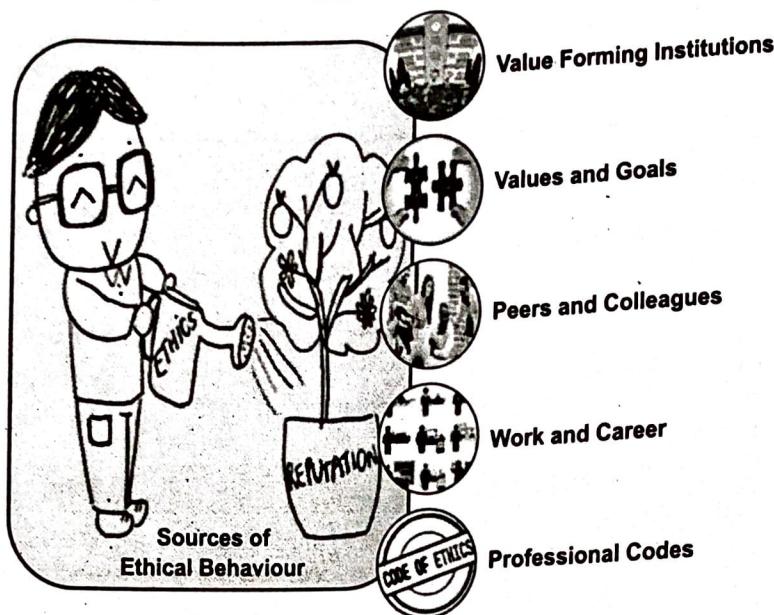
**NATIONAL
SOCIETY OF
PROFESSIONAL
ENGINEERS**

- ◆ Some companies and professional organisations (e.g., NSPE Code of Conducts for Engineers) adhere to their own codes of conduct and ethical standards. Violation of the standards may lead to disciplinary sanctions.

- ◆ Almost every aspect of the business can become a possible ground for ethical dilemmas. It may include relationships with co-workers, management, clients, and business partners.
- ◆ The people's inability to determine the optimal solution for ethical dilemmas in the business situation may result in serious consequences for businesses and organisations.
- ◆ In order to solve ethical problems, companies and organisations should develop strict ethical standards for their employees.
- ◆ Every company must demonstrate its concerns regarding the ethical norms within the organisation. In addition, companies may provide ethical training for their employees.

3.2. SOURCES OF ETHICAL BEHAVIOUR

Every business manager is the center of a web of values which connect into various value systems that, while different from one another, have interconnections. Therefore, ethical behavior on the part of managers has its roots in numerous aspects of contemporary society. In particular, there are five sources of ethical behavior in any society. These are value-forming activities of various social institutions, values and goals of an organisation, peers and colleagues in the organisation, work and career, and professionalization and professional code of conduct. Let us see how each of these affects ethical behavior.

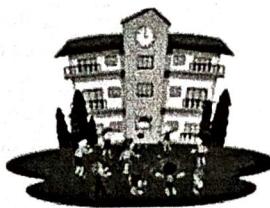


Value-forming Institutions

- ◆ The life and development of a society are both based upon and produce values. Therefore, there can be various institutions in the society which inculcate values in an individual.
- ◆ In particular, there are four major institutions which provide the basic sources of values for persons and organisations:



Family



School



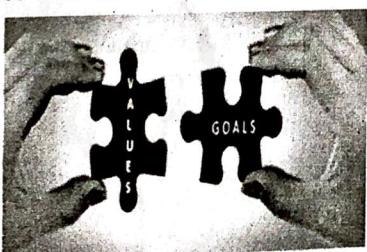
State



Religion

- ◆ Value systems are constructed over a lifetime of experience in which the value-shaping influences of these institutions predominate. A key characteristic of all these basic value-forming sources is their inter relatedness.
- ◆ The basic process of value formation by these institutions is that they prescribe what is good or bad for an individual.
- ◆ **Good behavior is rewarded and bad behavior is punished.** This recurs in the daily routine of the individual and he learns a particular behavior which is rewarded and reinforced.
- ◆ Since an organisation is a collection of individuals, its values are the collective values of individuals. This is the reason why there is a conflict of individual and organisational values.

Values and Goals



- ◆ There is an important relationship between the goals and values of an organisation.
- ◆ The goals of a business organisation and its managers may either be explicit or implicit.
- ◆ Business is economic institution and it has economic goal that is maximisation of profit as per classical economic theory.

- However, the goals of business organisation and managers are extremely complex and empirical evidence indicates that the ultimate goals of profit maximisation are tempered by a much wider range of values explicit and implicit in an organisation's goals that temper the profit maximization concept. Among these are leadership, integrity, knowledge and skills, amity, influence and power and survival. All these factors change the goals of the organisation and consequently the expected behavior from individuals.

Peers and Colleagues

- An individual gets clue of behavior from his peers and colleagues. He develops and applies beliefs, attitudes, and values derived from the groups of peers and colleagues with whom he is associated.
- An individual working in group tends to conform to the group's norms as long as he values the friendship and approval of his associates or fears the possibility that they will cut him from rights, privileges, and benefits they can offer.
- In the case of values, the individual feels an intimate involvement with a number of people, a nation, a society or a business organisation, or a work group. It binds him to adhere his peers and colleagues and force to follow behaviour exhibited by his peers and colleagues.
- Departure from values may invoke no immediate penalty but it creates a sense of separation. Therefore, the individual tries to follow that group norm of behavior.



Work and Career



- Work consists of the tasks or responsibilities associated with a particular job or position in an organisation.
- Essentially work is human energy directed at the achievement of a desired end.
- In organisations, this work is organised, directed, controlled and entrusted to individuals willing to become employees through a more or less permanent association with the organisation.
- An individual's experience over a period of time constitutes his career.
- Generally, this career is within an occupation, and in an occupational career the individual follows a related, progressive series of jobs, positions, or stages of development.
- Work and career create special values that give its own values and persons performing the work will follow those values.
- For example, in an organisation, sales people, accountants, engineers will have different values according to their specialisation.

Professional Codes

- Professional codes are an increasing source of ethical norms for managers in business organisations.
- There are three types of codes available in an organisation :

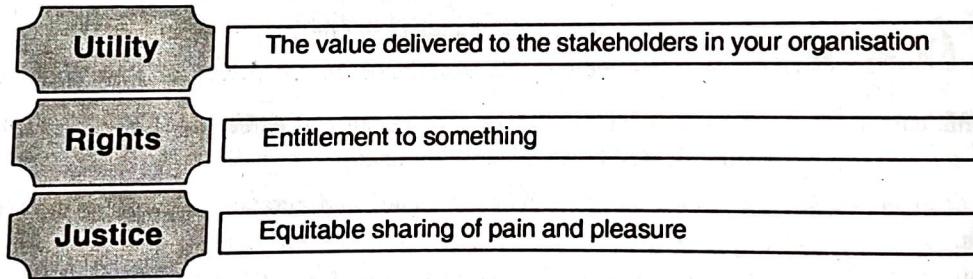
- First** { is the so-called company philosophies which usually cover those basic philosophies and behavior that govern the business. Most of the companies have such sets, either expressly or otherwise. Sometimes these documents are prepared to build the company's image by showing the company's concern for ethical behavior in the society.

- Second** { a code is found in company operational policies which set up guides to action that have an ethical content. Such policy guidelines may be for various activities like recruitment and selection, selling, handling customer complaints etc.

- Third** { since people belong to various professions, they are also governed by code of conduct framed by their associations. Such codes have been devised by various professional bodies like All India Management Association, Institute of Company Secretaries of India, Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India, and so on.
 - ◆ These codes are consonant with customs, traditions, beliefs, social values, public laws, and generally desirable behavior.
 - ◆ The enforcement of these codes is by various sanctions such as fines or even the expulsion of deviant members.
 - ◆ However, in the case of management codes, such sanction is not very effective because of lack of enforcement body and also because majority of managers are not the members of the association.

3.3. HOW TO RESOLVE ETHICAL PROBLEM

- ◆ Ethical problem and dilemmas arises in business when you start managing others. You should have framework to deal with ethical problems and dilemmas.
- ◆ Business managers must learn to apply their values, aligned with the values of their organisation, to these situations. Ethical decisions are often trade-offs between:

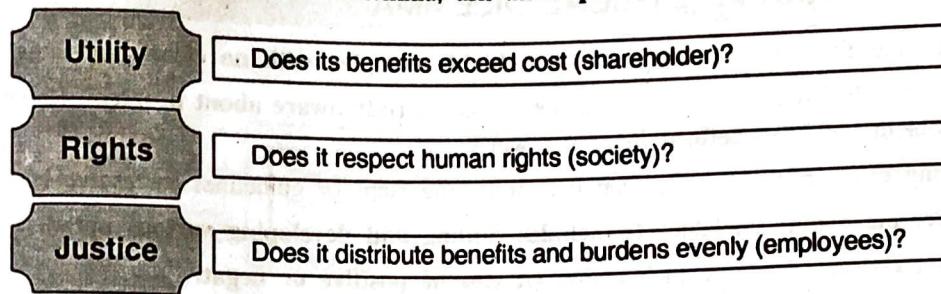


Example Box 3.4 :

A manager is required to decide whether company should implement pollution control devise or not. If he decides to implement pollution control devise it require to invest heavily in pollution control devise. If he decides to implement pollution control devise, it will be beneficial to society but it will increase production costs and reduce profits. It is in benefit of society but not in interest of investors.

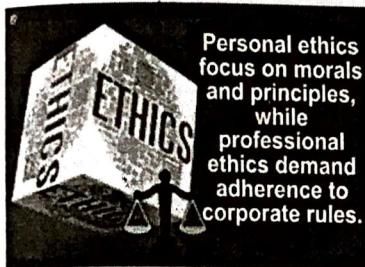
- ◆ Because of these trade-offs, managers must be prepared to deal with ethical issue and dilemmas. Therefore, to deal with ethical issue manager shall first ask following questions:
 - Is it policy, a decision or an action?
 - Is it ethical or unethical?

- To resolve these questions that create dilemma, ask three questions :



- Answers to these questions in the affirmative will be the first step in the process of solving ethical problems.

3.4. CODE OF PROFESSIONAL ETHICS FOR EMPLOYEES



- A code of ethics and professional conduct outlines the ethical principles that govern decisions and behavior at a company or organisation.
- They give general outlines of how employees should behave, as well as specific guidance for handling issues like harassment, safety, and conflicts of interest.

- In general, following values are included in the company's code of ethics which are expected to be observed from employees:

- Always protect company assets, including physical, intellectual, and electronic or digital properties. It includes not to share confidential information accessed during work.
- Act with integrity, comply with laws, maintain a professional work environment and comply with company policies.
- Maintain high standard of professional responsibility.
- Avoid being placed in situations involving conflict of interest.
- Treat customers, colleagues, and partners ethically at all times. Do not discriminate against anybody or anything on any bias.
- Maintain professional relations based on mutual respect for individuals and organisations.
- Be committed to the goals of the organisation.
- Do not give up your individual professional ethics.

Difference between a Code of Ethics & Code of Conduct

A code of ethics is broad, giving employees or members a general idea of what types of behavior and decisions are acceptable and encouraged at a business or organisation. A code of conduct is more focused. It defines how employees or members should act in specific situations.

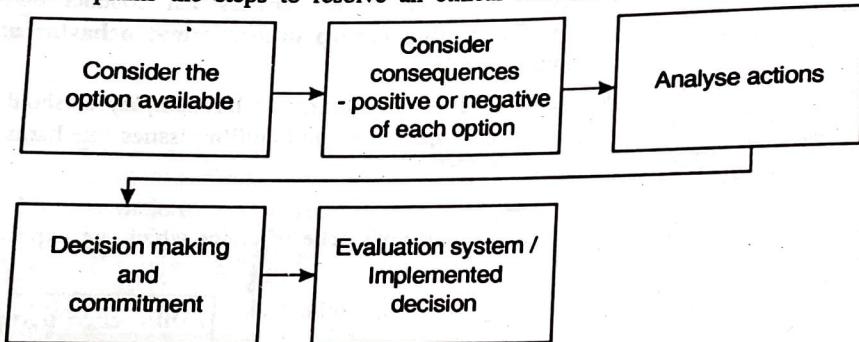
Example Box 3.5 : Starbucks - Code of Ethics

Starbucks empowers all partners to make decisions that impact our reputation. Individual actions at work shape how the world views Starbucks, which is why it is so important that we each take responsibility for our Starbucks Mission and acting ethically in all situations.

- A code of ethics is important because it helps employees to make decisions that are in line with company values in the absence of a clear rule or direct supervision.
- A code of ethics can improve decision making at a business, and make it easier for employees to be autonomous.

3.5. HOW TO RESOLVE ETHICAL DILEMMA

- ◆ Ethical dilemmas faced by managers are often highly complex with no clear guidelines.
- ◆ Before, manager deal with ethical dilemma, he should be fully aware about problem. He should verify that whether problem has been defined in proper way?
- ◆ After defining problem or issue, he can take following steps or guidelines to resolve ethical dilemmas:
 - Consider the option available (It includes finding and developing various options)
 - Consider consequences for each option (It can be positive or negative)
 - Analyse actions
 - Decision making and commitment
 - Evaluate the implemented decision
- ◆ Following chart explains the steps to resolve an ethical dilemma :



Solving Ethical Dilemma – Practical Approach

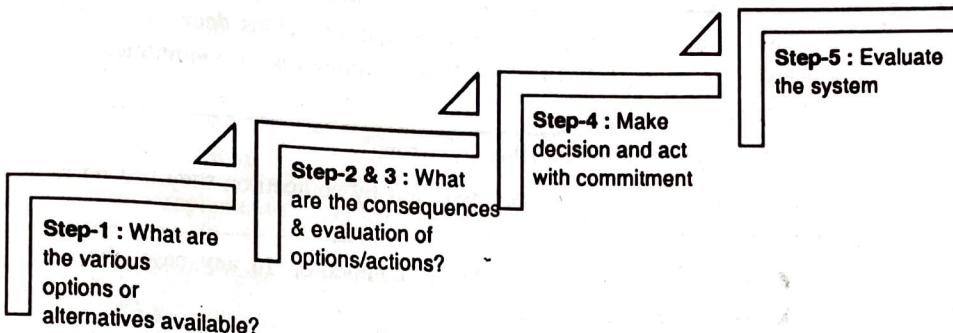
You are a Sr. Engineer in X Ltd. which is manufacturing automatic machinery and having international standing. X Ltd. is loss making and struggling for its revival. X Ltd. follows highest standards of ethical behaviour.

X Ltd. is planning to make a very important presentation to corporate client and if the deal gets through, it will be highly benefited. The management of company is of the opinion that this activity will be lucrative return to successful bidder for the business and number of other companies have been asked to make presentations.

X Ltd. had made presentation and committed considerable resources to the bid. X Ltd. is keen to win the mandate for the business. Sr. Engineer of company came to know that company's proposal is well received and it is shortlisted against only one other major firm i.e. Y Ltd.

Sr. Engineer discovered and realised that there is substantial variation in the bid from the original presentation but he leaves it to the judgement of team. Thereafter, he also discovered that his team had got hold of the bid book of the competitor which was inadvertently left by them in the waiting room.

In business howsoever highly competitive, there are rules and principles to ensure that certain standards are maintained. Now, let us resolve the ethical dilemma projected in this case by applying above steps:



STEP-1	Option (a)	Option (b)	Option (c)	Option (d)
Finding or developing various options	Keep quiet and let things take their own course.	Inform the company seeking the bid about the incident and let them to decide whether to have re-bid or not.	Inform Y Ltd. about incident and let them to decide whether to seek for re-bid or any other corrective measures at their end.	Withdraw the bid and let the competitor get the deal.
STEP – 2&3	Likely chance that deal would be in my favour. The competitor (Y Ltd.) was careless in leaving the bid book and therefore there is nothing wrong, if my team took advantage of the situation. In any case, it is the best interest of the company.	The company seeking bid, in spite of knowing about the incident, may aware the deal to my company and not take any cognizance of the incident keeping in view the cost of the tendering process, the time involved etc. or may decide to seek bid again.	The competitor in spite of being aware of the incident, may decide not to take it up with the company seeking bids, which get the deal.	The deal would rightfully have been awarded to the competitor but for the incident and hence it is most appropriate that my company should withdraw.
	However, there is risk that the competitor would discover their mistakes and approach the company seeking the bid company for a re-bid. In that event, the reputation of my company "as being committed to highest ethical standard" will get affected. In addition, my company would not get the deal.	May award the deal to the competitor by disqualifying my company or may seek a re-bid.	The competitor may approach the company seeking the bid and inform them about the incident and that they were informed by my company about the same and may : (a) either seek the company making the bid to seek bids again; or (b) let them decide whether or not to seek the bid again.	

STEP - 4	Both parts of analysis should be complied and conscious decision should be taken. Once the decision is made, it has to be followed through with commitment irrespective of the consequence.
STEP - 5	<ol style="list-style-type: none"> 1. What my team did was ethically wrong? 2. Even if the bid book was carelessly left by competitor, they had no right to capitalise on the same. 3. They should have returned it to the competitor. In any case, the competitor would have discovered their mistake. 4. The term put the reputation of the company at stake. 5. The employees of the company need to be sensitised about the ethical practices and the culture of the company through appropriate training.

3.6. CASE STUDY ON ETHICAL DILEMMA

Apex pharmaceuticals company Ltd. is a well reputed multinational company dealing in manufacturing and marketing of life saving drugs and formulations. Company's Research and Development (R&D) Department is actively engaged in development and formulations of new drugs in general and life-saving drugs in particular. While experimenting with a chemical molecule, R&D department sees the possibility that a molecule may be developed into a drug that may prove very helpful in the treatment of a rare, painful and life threatening generic disease, for which no effective drug is available at present in the market, but which troubles to only one child in one million. However, development of the drug will require investment of huge sum of investor's money of the company, despite the drug may not have good market.

The R & D department of the company brings this to the notice of Mr. Ram, who is the CEO of the company.

Taking the above facts into consideration, answer:

- (i) What dilemma Mr. Ram is facing?
- (ii) As a CEO, in place of Mr. Ram, how would have acted in such situation?
- (i) Ethical dilemma faced by Mr. Ram

From the facts given in question, it can be said that Mr. Ram is certainly in dilemma. Mr. Ram is required to choose between carrying out the development of a drug for a rare, painful and life-threatening disease which trouble to only one in a million and the action of spending huge sum of shareholder's money. As one can see, both are positive and ethically right choices. As a socially responsible person, he must be careful in dealing with shareholder's money.

- (ii) What Mr. Ram should do?

As CEO in place of Mr. Ram, I would have opted the following course of action to resolve this ethical dilemma:

1. Define the problem clearly.
2. Collect the statistical data across the globe, the previous history of such type of genetic disease and probable cause of its spreading in the coming times.
3. Search and develop all possible options or alternatives available.
4. Evaluate each option carefully in term of pros and cons of each of them.

5. Take the senior management (Board of directors, etc.) in confidence and keep them apprising of the situation.
6. Compare positive and negative consequences of each option.
7. Choose the best available action keeping resources and other prevailing situations of the company in mind.
8. Properly implementing the decision taken and keeping the follow-up of the same.

• PRACTICE QUESTIONS •

1. You see one of your close colleagues speaking inappropriately to another member of your staff. This has been going on for a while. From your observation, you are sure that it was sexual harassment. You know your colleague's actions are wrong, but you do not want to ruin the friendship you have developed with them over the past few years. Should you report them to human resources?

[Hint : If you have a friendship with your colleague, then you should ideally raise the issue directly with them and tell them your concerns. If you do not feel it comfortable, then you should find out whether your human resources department allows you to make anonymous complaints. Making anonymous complaint has the dual benefit of protecting your identity while also bringing the issue to the attention of management. You are hopefully bringing an end to the emotional suffering that's being endured by the person being harassed. (Note: Legal provisions or requirements are not given due consideration while drafting answer.)]

2. You have been procrastinating on a project and suddenly you realized that today is last day for its submission. Your manager asks you for the completed project, but you have nothing to show him. Will you admit that you just did not get around to it, or will you place the blame on someone else?

[Hint : It is best to be honest about why you did not complete your project. This applies to many situations where you have the choice between being honest and lying. More often than not, lies in the workplace have a way of revealing themselves over time. Take responsibility and face up to your mistake. If your boss is a reasonable person, then he may offer the advice and support you need to complete the project. You should, however, learn from your mistake and prepare in advance next time – your boss will not be as sympathetic if you miss another important deadline.]

3. A new manager has been appointed in your department. You find out that he is the boss's close relative. You also discover that he does not possess the requisite qualifications and he may not have been interviewed before he was hired. Do you question the decision or simply accept it?
4. What is ethical dilemma? Explain with suitable example.
5. What are the characteristics of ethical dilemma?
6. Write short note – Ethical dilemma in business.
7. What are sources of ethical behaviour?
8. Write short note – Professional codes.
9. How to resolve ethical problem?
10. Write short note – Code of professional ethics for employees.
11. How to resolve ethical dilemma?