

MODULE 1

Introduction to Business Ethics

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CONCEPTS TO BE COVERED

- Ethics in management
- What is ethics?
- What is business ethics?
- What is not business ethics?
- How corporations observe ethics in their organizations?

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Ethics in Management

- **Ethics** is derived from the Greek word “Ethikos” meaning custom or character.
- **Ethics** is defined as the discipline dealing with what is good and bad and with moral duty and obligation.
- **Personal ethics** are referred to as the rules by which an individual lives his or her personal life. E.g. honesty, fairness, preventing harm to others etc.
- **Accounting Ethics** pertains to the code that guides the professional conduct of accountants.
- **Business Ethics** is concerned with truth and justice and other aspects like expectations of the society, fair competition, advertising, Public Relations, social responsibility etc. in a corporate environment.

What is ethics?

- Ethics is the branch of philosophy that focuses on morality and the way in which moral principles are applied to everyday life. Ethics has to do with fundamental questions such as “What is fair?” “What is just?” “What is the right thing to do in this situation?” Ethics involves an active process of applying values, which may range from religious principles to customs and traditions.

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What is Ethics?

Ethics:

- is a branch of philosophy.
- is a normative science because it is concerned with the norms of human conduct.
- as a science, it must follow the same rigours of logical reasoning as other sciences.
- as a science, involves systemizing, defending and recommending concepts of right and wrong behaviour.

What is business ethics?

- Business ethics focuses on what constitutes right or wrong behavior in the world of business. Corporate business executives have a responsibility to their shareholders and employees to make decisions that will help their business make a profit. But in doing so, businesspeople also have a responsibility to the public and themselves to maintain ethical principles.

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Business Ethics

- Although ethics provides moral guidelines, individuals must apply these guidelines in making decisions. Ethics that applies to business (business ethics) is not a separate theory of ethics; rather, it is an application of ethics to business situations. Although all people have ethical responsibilities, higher ethical standards are imposed upon professionals who serve as social models, such as physicians, attorneys, and business people.

What is Business Ethics?

Business ethics is the application of general ethical ideas to business behaviour.

It is based on the principle of integrity and fairness and concentrates on the benefits to the stakeholders, both internal and external. Stakeholder includes those individuals and groups without which the organization does not have an existence. It includes shareholders, creditors, employees, customers, dealers, vendors, government and the society.

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What is not Business Ethics?

1. Ethics is different from religion.
2. Ethics is not synonymous to law.
3. Ethical standards are different from cultural traits.
4. Ethics is different from feelings.
5. Ethics is not a science in the strictest sense of the term.
6. Ethics is not just a collection of values.

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How Corporations Observe Ethics in Their Organizations?

- SEBI, CII and such other organizations representing corporations issue codes of best practices and enjoin their members to observe them.
- IIMs and highly rated B-schools give extensive and intensive instruction in business ethics, corporate social responsibility and corporate governance as part of their curriculum.
- Conduct an Ethics Audit.

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