

ETHICS IN BUSINESS:

ETHICS OR ETHICAL LAW, WHAT COMES FIRST?

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WHAT IS ETHICS IN BUSINESS?

- Ethics in business are nothing but the do's and don'ts by those involved in it.
- It could be referred as set of principles a businessman ought to follow.
- Means that the business should be conducted according to certain self recognized moral standards.
- Honesty, truth, integrity, openness, seamlessness, no hate, no stealing, no lying, no bribing, no corruption etc.
- Few unethical elements in the present day business are cheating, stealing, lying, bribing, corrupting etc.
- A business man should also be aware of the ethics some specific in his business
- He should follow them in order to maintain social balance & harmony.

DEFINITION:

- Business Ethics means the study and examination of moral and social responsibility in relation to business practice and decision making in business .
- Business is commonly referred to the commercial activities aimed at make profit. But gradually there is a substantial change in the way in which people view the business.
- **Business ethics** (also known as Corporate ethics) is a form of applied ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and business organizations as a whole.
- This part of business ethics overlaps with the philosophy of business, one of the aims of which is to determine the fundamental purposes of a company. If a company's main purpose is to maximize the returns to its shareholders, then it should not be seen as unethical for a company to consider the interests and rights of anyone else.

BUSINESS TREND

PAST

- Primary objective of a business was profit maximization.

PRESENT

- Profit maximization in long run besides fulfilling the ethics in business
- A business is regarded as social institution forming integral part of social systems .

Any type of social system is influenced by

- 1. The way the business functions.
- 2. The organization of the business.
- 3. Need to Innovate.
- 4. Exchange of information.
- 5. Endeavour to Improve.

They have either direct or indirect effect.

SOCIAL RESPONSIBILITIES OF BUSINESS

A firm expresses its responsibility to the society by reacting in either or both of the following two ways.

1. The responsible manner in which it carries out its own business
2. The welfare activities it takes upon itself as an additional function to express its social commitment.

RESPONSIBILITY -TO SHARE HOLDERS

1. Make the shareholders feel secure by protecting their investments and adding to it.
2. Be transparent
3. Allow them to participate in decision making
4. Ensure them good dividends

RESPONSIBILITY- TO EMPLOYEES

1. Offer employees fair wages
2. Establish better working conditions
3. Motivate them for better work standards and norms.
4. Provide labour welfare activities
5. Educate the employees by proper training both initially and later by refresher courses.
6. Recognize and appreciate the work of the employees and reward them.
7. Form grievance handling cell.
8. Enable them to involve in decision making.

RESPONSIBILITY- TO CONSUMERS

To improve the efficiency of the business by

1. Offer the products at reasonable prices.
2. Provide pre-purchase and post- purchase service to the consumers.
3. Facilitate research and development to meet the customer requirements.
4. Improve distribution systems.
5. Provide sufficient and necessary information about the product.

RESPONSIBILITY- TO COMMUNITY

1. Improve the efficiency of business operations.
2. Control or to be a pollution free and maintain ecological balance.
3. Invest more in research and development so as to improve the standard of living of the society.
4. Develop alternative resources thereby preventing current resources being used to their exhaustion.
5. Indulge in social welfare activities.
6. Contribute in efforts to build up a better society.

ETHICS AND LAW

- Ethics and Law are both variants of rules by which humans are expected to conduct themselves in Society.
- Rules are required to ensure repetitiveness that makes events predictable.
- Predictability is essential for security, survival, continuity and growth.

ETHICS AND LAW

- All elements in Nature are continuously bound by rules which permit the constant or invariable flow of life flawlessly and uninterruptedly.
- This 'high-fidelity' system of Nature permits emergence of many species existences including humans who are endowed with consciousness and free will.
- Free will provides freedom, even though limited, from the rigid framework of rules and there by the capacity to follow the rules.
- Therefore this freedom needs to be regulated in such a way that it does not lead to conditions of lawlessness leading to chaos and self-destruction.
- Ethics and Law are two available mechanisms at the social level to give appropriate direction to this freedom in the best interest of all.

ETHICS AND LAW- INTERACTION

- Ethics, Law and their mutual relationship have been discussed from the beginning of civilization both in East and the West.
- Ethics represents a system of controls that is internal whereas Law represents a mechanism of control that is external.
- Both internal and external controls are required for optimal control of behaviour which includes seeking and dispensing of treatment.
- Law can be defined as a set of rules, established to govern individual behaviour. It also provides a basis for decision making when one is confronted with an ethical dilemma. Ethics, however, only deal with "right" and "wrong" behaviour. The ethics and the law are related to each other since they deal with certain common issues.

ETHICS AND LAW- THE DIFFERENCES

- Ethics, often referred to as 'science of morality', represents a body of knowledge that contains principles or standards for value-based human behaviour.
- Ethical principles are generally voluntary and mostly unwritten.
- The guiding principles of Ethics are all that is 'good' and/or 'right'.
- Law refers to a set of rules which are enforced usually through social institutions or the state.
- Legal provisions form a written document prepared purposefully by the legislature, judiciary or the executive.
- Laws of the land are made more on the reality considerations of the place, the time and the people as to what is required/ aspired for and is practically possible.

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ETHICS AND LAW- THE DIFFERENCES

- We grow up with ethical principles during childhood development
- The conviction of the good and the right get imbibed into our conscience through parental and social teaching.
- The regulators for ethical imperatives are the parents, religious, the seniors, the peers, the co-professionals/college, and culture.
- Learn to live with law only at a later stage.
- Laws of the land have to be consciously assimilated in our behavior guided by the anticipated consequences of its breaking.
- Regulators for maintenance of law are the police, the magistrates and the judiciary.

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ETHICS AND LAW- THE DIFFERENCES

- Ethics is the immediate determinant of our behaviour; it is private, personal and all pervasive.
- Ethics fills in the gaps in law, it also guides.
- Ethics is continuously updated automatically because it is linked with life.
- Ethics get modified by the changing consensus in society, therefore it is always current.
- Ethics has the primacy of control over behaviour.
- We may not have law for all situations of life, but no behaviour should be anti ethical.
- Law is silent. Law is impersonal, distant and has to be invoked to be operative.
- Law can be updated only periodically. Law lives in the past; at times it can be more than hundred years old and completely divorced from the current realities of life.
- No amount of legislation can be a substitute for ethics or vice-versa.
- Law is more powerful and uniform.

Ethics and Law have to supplement each other; they should be congruent and non-contradictory.

ETHICS AND LAW- THE RELATION

- The guiding principles for determining what is good and what is right have varied parameters depending on the time, the place and the context.
- Broadly they are determined by dictates of pragmatism, of pleasure or of power.
- For *Jeremy Bentham* the highest good is the greatest happiness of the greatest number of people.
- According to *Immanuel Kant* the morality of an act must not be judged by its consequence, but only by its motivation. Intention alone is good.
- According to *Nietzsche*, every action should be directed toward the development of the superior individual, or superman, who will be able to realize the noblest possibilities of life.
- One universal mode of answering ethical questions has been the 'empathic mode'; it is by placing oneself in the place of the other person and then decide as to whether he would like that to be done to him.

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ETHICS AND LAW- THE RELATION

- Ethics is more concerned about the thinking process as to what constitutes the good and the right.
- These are the precursors of behaviour.
- Law comes into action only when some act has actually been committed, either of omission or commission.
- Failure to comply with law leads to punishment authorized by the state; where as failure to comply with ethics can only lead to shame and guilt or remorse.
- There may be situations of conflict between the good and the right, the present and the future, the individual and the society or even between ethics and the law.
- Guidelines need to be developed for dealing with such situations.
- One possible way out could be to choose the least damaging option among the available alternatives.

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ETHICS AND LAW-THE RELATION

- The ownership of any body of laws lies with the State which is sovereign and vested with the authority & responsibility of enforcing it.
- Ethics on the other hand belongs either to a community, a group or may be to whole of humanity.
- Freedom of individual discretion in adopting and interpreting ethical principles is always there to individual members but this freedom is not available for the application of provisions of law which are full and final in their respective current forms.
- There has been a recent trend among professional bodies to formulate their own written guidelines for its members.
- However it is generally devoid of any power to enforce it. A system of graded professional sanctions may be developed after stratifying the guidelines into three tiers of ideal, optional and obligatory types.

STRATEGIES FOR NURTURING ETHICS

- LEADERSHIP & COMMITMENT –

Ethical concerns must start & percolate from top.

- ESTABLISHING ETHICAL STANDARDS & CODES –

Code of ethics can exist as a formal statement of organisations philosophy pertaining to values, rules and principles.

- ETHICS TRAINING –

Orientation programme or induction training covers dos & donts of organisation

- EMPATHY –

Any decision based upon empathy will ensure considering the existing values and codes.

CAN AN EXECUTIVE AFFORD CONSCIENCE ?

- Every important advance in business ethics has been achieved through a long history of pain and protest.
- The moral position of the executive who works for a company that fails in the ethics of social responsibility is precarious. The fact that he does not control company policy cannot entirely exonerate him from blame. He is guilty, so to speak, by employment.

Toxins of Suppressed Guilt

- The practical question arises If a man in a responsible corporate position finds that certain policies of his company are socially injurious, what can he do about it without jeopardizing his job ’
- One executive of my acquaintance who wrote several memorands to his chief, detailing instances of serious environment contamination for which the company was responsible and which called for early remedy, was sharply rebuked for a “negative attitude”,
- Another, successful executive of a large corporation, said to me quite seriously in a confidential moment that he did not think a man in his job like his could afford the luxury of a conscience in the office. He was frank to say that he had become unhappy about certain policies of his company. He could not longer deny to himself that the company was not living up to its social responsibilities and was engaged in some political practices that smacked of corruption.
- But what were his options ? He had only three that he could see, and he told me he disliked all oft them.
 - 1) If he argued for a change in policies that were helping to keep net earnings high, he might be branded by his superiors as “unrealistic” or “idealistic” — adjectives that could slow down his career and might, if he pushed too hard, compel his resignation.
 - 2) Continued silence not only would spoil his enjoyment of his work, but might cause him to lose respect for himself.
 - 3) If he moved to any of the other companies in his industry, he would merely be exchanging one set of moral misgivings for another.
- But conscience is never killed; when ignored, it merely goes underground, where it manufactures the toxins of suppressed guilt, often with serious psychological and physical consequences. The hard fact is that the executive who has a well— developed contemporary conscience is at an increasing disadvantage in business unless he is able to find some personal policy by which he can maintain his drive for success without serious moral reservations.

Distrustful Public

- The problem faced by the ethically motivated man in corporate life is compounded by growing public distrust of business morality.
- Many businessmen, too, are deeply disturbed by the level of executive morality in their sphere of observation. Although about 90% executives in another survey stated that they regarded themselves as “ethical,” 80% affirmed “the presence of numerous generally accepted practices in their industry which they consider unethical, such as bribery of government officials, rigging of prices, and collusion in contract bidding”.

Behind the Board room Door

- When the men who hold the real power in the company come together to decide policy, they may give lip service to the moral element in the issue, but nothing more. The decision—making process at top-management levels has little room for social responsibilities not definitely required by law or public opinion.
- Even the distinguished economist A. A. Berle Jr., has expressed the view that the healthy development of our society requires “the growth of conscience” in the corporation of our time. But if by “conscience” he meant a sense of right and wrong transcending the economic, he was asking the impossible.

He is Not Powerless

- A business that defined “right” and “wrong” in terms that would satisfy a well-developed contemporary conscience could not survive. No company can be expected to serve the social interest unless its self—interest is also served, either by the expectation of profit or by the avoidance of punishment.
- But this does not necessarily mean that the ethically motivated executive can do nothing. In fact, if he does nothing, he may so bleach his conception of himself as a man of conviction as to reduce his personal force and value to the company. His situation calls for sagacity as well as courage. Whatever ideas he advocates to express his sense of social responsibility must be shaped to the company’s interests
- In essence, any ethically oriented proposal made to a manager is a proposal to take a longer—range view of his problems -to lift his sights. Non-ethical practice is shortsighted almost by definition, if for no other reason than that it exposes the company to eventual reprisals.
- The longer range a realistic business projection is, the more likely it is to find a sound ethical footing. I would go so far as to say that almost anything an executive does, on whatever level, to extend the range of thinking of his superiors tends too effect ethical advance.
- When he finished his statement, no man among his’ listeners, not even his most active rivals, chose to resist him. He had done more than serve his company and satisfy his own ethical urge ; he had shown that the gap between the corporate decision and the private conscience is not unbridgeable if a person is strong enough, and brave enough to do what needs to be done.
- It may be that the future of our enterprise system will depend on the emergence of a sufficient number of men of this breed who believe that in order to save itself business will be impelled to help save the society.

CASE STUDY

- In the case of Satyam, the issue is not just of money but of business ethics. With opening of borders, liberalising global investments and trade have led to an incremental upswing in corrupt practices. Business development expenses is the password for a wide range of costs including kickbacks and bribes. From time to time, there have been international initiatives to devise anti-corruption strategies.
- The Bhopal Gas Tragedy is lost in the collective consciousness of the nation. Black 3rd December 1984 brought the news that people dropping dead like flies in Bhopal. The victims of the biggest industrial accident are yet to receive succour. We should spare a thought for those innocents who lost their lives for no fault on their part.

CONCLUSION

- Ethics and Law are both variants of social rules which ensure predictability in society.
- Predictability is essential for security, survival, continuity and growth.
- Ethics represents a system of internal controls whereas Law represents a mechanism for external controls.
- Both are required for optimal control of all behaviour which includes treatment seeking and dispensing.
- Ethics is generally unwritten and voluntary whereas Law is purposefully written and enforced by the state.
- Ethics is guided by moral principles whereas Law is guided by reality principles.
- Ethics encompasses all situation in life whereas we may not have Law for all situations in life.
- Ethics fills in the gaps in Law. They supplement and complement each other.
- Ethics is always current and operative; Law has to be invoked to be active and needs to be updated periodically to keep it relevant.
- If a firm fulfils all the above mentioned responsibilities then it is said to be following the business ethics. But in practice such an ideal business doesn't exist.

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CONCLUSION

- We must ensure application of ethical self discipline from within or else law of the land shall increasingly and inevitably find reasons to intrude upon the otherwise legitimate professional autonomy.
- Law must be ethical and be continuously updated; Ethics on the other hand must respect the legal boundaries.
- Ethics are source of Law, hence ethics come first than Ethical Law.
- It's our misfortune that for enforcement of human ethical behaviour, society needs help of Ethical Law.

Good ethics is still the sound foundation of good business.

thank you



Man with a Conscience for a businessman watching on competitors