



“Ethics in Business: Ethics or Ethical law, what comes first?”

BY

Prof. GIRISH BAGALE
SVKM'S NMIMS , MPSTME,

www.nmims.edu,

girish.bagale@nmims.edu

Mumbai-400056

Content of the PPT

- Ethics-An Overview
- Morality and religion
- Ethics and society
- Ethics – Indian view
- Present day ethics philosophy
- Business Ethics-An Overview
- Ethical Dilemmas in Business

- Models of Ethical Behavior
- Eight Steps to develop Corporate Ethics programme
- A Model for Ethical Decision-Making
- The Josephson Institute 7-Steps Path to better Ethics Decisions
- “There is no such thing as Business Ethics” -
- John Maxwell

- Conclusion
- References

Origins of Ethics

- **Etymologically:** Ethics (Middle English *ethik*, from Old French *ethique*, from Late Latin *Ethica*, from Greek *Ethika*- *ethics*, or *ethikos*, *ethical*, from *ethos*) means character, custom, habit, behavior, human conduct or attitudes.
- While on the other hand the Latin word "*Mores*" which is the root of Morality, is almost the synonymous term with the word "*ethos*"

Origins of Ethics

- The Arabic word of *Akhlaq* (singular, *Khuluq*) has more or less the same connotations of the word "ethics".
- *Khuluq* come in the *Qur'an*, two times. (al-Shu'ara: 137, and al-Qalam: 4), to mean: custom, character, religion and ideology or doctrine.

The subject of Ethics

Ethics deals with 'what that out to be', a system or mechanism that is ideal in nature and talks about human values and behaviors.

What, then, ethics means?

- Ethics is two things
- 1. Ethics refers to well based standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues.
- In this sense, ethics means: those standards that impose the reasonable obligations to refrain from rape, stealing, murder, assault, slander, and fraud. Ethical standards also include those that enjoin virtues of honesty, compassion, and loyalty. And, ethical standards include standards relating to rights, such as the right to life, the right to freedom from injury, and the right to privacy. Such standards are adequate standards of ethics because they are supported by consistent and well founded reasons.

What, then, ethics means?

2. Ethics refers to the study and development of one's ethical standards. Ethics means then, the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the institutions we help to shape, live up to standards that are reasonable and solidly-based.

Therefore, Ethics is

1. A set of principles of right conduct, a theory or a system of moral values?
2. It is study of the general nature of morals and of the specific moral choices to be made by a person; moral philosophy.
3. It is a branch of philosophy concerned with the systematic study of human values. It involves the study of theories of conduct and goodness, and of the meanings of moral terms."

Related Terms

- We may highlight certain terms which are related to ethics such as:
 - **Attitude:** the individual behavior gained from the environment, *not already in born*, and is changeable.
 - **Custom:** the collective behavior or collective attitude that is developed within a community, which cannot be built by only one individual.
 - **Behavior:** the habit and internal attitude or '*tabi'ah*' that already in born, in individuals, for instance a person can get angry very quickly.

- **Critical Terms**

- **Morals / Values** : core beliefs or desires that guide or motivate attitudes and actions. Our morals / values will or should determine how we will behave in certain situations.

Function of ethics

- Hence from these definitions, we may understand ethics as a theoretical background of morals concerned more about:
 - Providing guidance for moral decisions and ethical judgments.
 - Analyzing and evaluating rational usage of moral conducts.
 - Understanding the meaning of moral values.

Philosophical Theories of Ethics

- Ethical egoism
- Ethical egoism is the belief that one “ought” to do what is in one’s own self-interest. It is the doctrine that the ends and motives of human conduct are, or should be, the good of the individual agent.

Philosophical Theories of Ethics

- Ethical Altruism
- is a concept in philosophy and psychology that holds that the interests of others, rather than of the self, can motivate an individual. It argues that the true moral aim should be the welfare of the society, rather than that of individuals. It is the selfless concern for the well-being of others. In Buddhism it is considered a fundamental property of human nature.
- Altruism differs from duty, because, altruism focuses on a motivation to help others or a want to do good without reward, while duty focuses on a moral obligation towards a specific individual or organization.

Philosophical Theories of Ethics

- **Ethical relativism:** The basic questions here in this theory are; whether ethical judgments are universal which have ruling over all human societies in all the times and places; or they are relative norms and values.
- According to this theory ethics and moral rules cannot be universally or objectively true for all people at all times. moral right and wrong is always relative to a particular culture and particular time and that no absolute system of ethics can be known to be true for all time (as ‘two plus two equals four’ is true, presumably, forever)

Philosophical Theories of Ethics

Utilitarianism

- It holds that ethical conducts will be characterized as good or bad, based on their consequences and outcomes.
- Action will be considered as an ethical if it leads to the highest satisfaction and happiness to the largest group in the society.
- Therefore the evaluation of ethical values, can only be know through their result and consequences.
- Hence, Ethical decisions are made on the basis of the outcome (s) resulting from these decisions.

Philosophical Theories of Ethics

- Deontological theory
- it is an ethical theory concerned with duties and rights.
Deontological ethics is a theory of duty or moral obligation.
- One of the most important implications of deontology is that a person's behavior can be wrong even if it results in the best possible outcome, and an act can be righteous even if it results in a negative outcome.
- In contrast to consequentialism, a philosophy famous for its claim that the ends justify the means, deontology insists that “how” people accomplish their goals is usually (or always) more important than “what” people accomplish.

Philosophical Theories of Ethics

- **Divine command theory:**
- It is the meta-ethical theory that moral values are whatever is commanded by God.
- Religious Ethics

Philosophical Theories of Ethics

- **Ethical Nihilism:** (*Postmodernism*)
- Nihilism which is literally from the Latin term of “*nihil*” which means “nothing” is a philosophy which argues that the world, especially past and current human existence, is without objective meaning, purpose, and has no comprehensible truth or essential value.
- Nihilists generally argue that there is no reasonable proof of the existence of a higher ruler or creator, therefore, “**true morality**” is unknown, hence, life has no truth, and no action can be preferable to any other.

Ethical Concepts

Some of the concepts that are frequently used when discussing the subject of ethics are:

- Ethical Subjectivism
- Ethical relativism
- Consequentalism
- Ethics of virtue
- Ethical dilemmas in business

Ethical Subjectivism

- It argues that what is ethically right or wrong for an individual depends on the ethical principles he or she has chosen.
- In other words for people who subscribe to ethical subjectivism what is ethically right or wrong is entirely a personal matter.

Ethical Relativism

- People who support the concept of ethical relativism argue that there is no universal set of principles by which to judge morality.
- Each society has its rules and it is inappropriate to compare the ethical rules of one society with that of another.

Consequentialism

- There are two central ideas associated with consequentialism. The first idea is the concept of value and the second that of maximization of values,
- Thus, if happiness is considered to be a value, an act is ethical only if it maximizes happiness. An act, which does not maximize happiness, is not ethically permissible.

Ethics of Virtue

- This concept emphasizes the role of individual traits. It explores those traits that would help individuals lead a better life from an ethical point of view.
- Virtuous acts are done willfully and not by chance.
- Also virtuous acts are not done out of self-interest or because they maximize pleasure.

Nature of Ethics

- Ethics is a subject that deals with human being. Human by their nature are capable of judging between right and wrong, good and bad behavior. Thus, the question of ethics arises, as the human beings are associated with values and morals.
- There was an argument whether ethics is a science or an art. But experts were of the opinion that ethics is more a science than an art. Because it is a systematic knowledge about moral behavior and conduct of human beings.

Nature of Ethics contd...

- Ethics is a normative science. The term normative implies a guide or control or action; so, normative ethics tells us what we ought to do.
- Finally, ethics deals with human conduct that is voluntary and force by any persons or circumstances.

Objectives of Ethics

- Ethics deals with human behavior. It assesses whether a particular act or decision taken by an individual is moral or not.
- To establish moral standards and norms of the behavior
- To judge human behavior based on these standards and norms.

Objectives of Ethics contd...

- To assess human behavior and express an opinion or attitude about the behavior.
- To set a standard or code for the moral behavior and make recommendations about the desired behavior.

TYPES OF ETHICS

1. Meta-ethics
2. Descriptive ethics
3. Normative ethics
4. Applied ethics
 - Professional Ethics
 - Professional Ethics for Engineers

Cont...

- **Meta-ethics:** or analytic ethics is the branch of ethics that seeks to understand the nature of ethical property (philosophy), and ethical statements, attitudes, and judgments. There are three general questions.

What is the meaning of moral terms or judgments? What do the words “good”, “bad”, “right” and “wrong” mean?

What is the nature of moral judgments? Whether moral judgments are objective or relative. *Moral objectivism and relativism.*

How moral judgments may be supported or defended. How we can know if something is right or wrong, if at all.

TYPES OF ETHICS

- Descriptive ethics.

Descriptive ethics concern more on the actual moral principles that govern the behavior of individuals in certain society, i.e., what that society considers to be good or bad, what ought to be done and what ought not to be done, without making any judgment or evaluation of those principles and ways of behavior.

Anthropologists, sociologists, historians and psychologists usually carry out this type of inquiry

Cont...

- Normative ethics:
- Normative ethics is concern with developing rational rules, guidelines, or standards according to which we should live our lives. This branch of ethics would involve the rational evaluation of statements such as, ‘do not kill’ ‘Do not lie’ and ‘Do not steal’.

Cont...

- Applied ethics:
- Applied ethics or Professional is a discipline of philosophy that attempts to apply:
- “theoretical ethics” to real world problematic issues. Applied ethics seeks to engage formal ethics in attempts to solve actual dilemmas in the real daily life.
- Topics of applied ethics include the disciplines of, medical ethics, engineering ethics, legal ethics, managerial and administrative ethics, environmental ethics, computer ethics, corporate social responsibility, business ethics.

Ethics are no more in religious texts; they are a part of business law

- If you think business and ethics are aliens, you are mistaken
- Not only are ethics respected in business, they are a part of the law
- As a part of Sarbanes Oxley law, directors have to sign an ethics declaration
 - This law enacted in pursuance of series of corporate scandals:
 - Enron, WorldCom, Tyco, etc.
- In India also, this has been implemented: all directors annually sign Code of Corporate Ethics
 - This is part of Corporate Governance Code
 - Clause 49 of the Listing Agreement

Morality and religion

- Morality and ethics have their roots in religion
 - Religion and business are mutually incompatible
- Religion deals with the inner self; business deals with the outer world
- Religion deals with contentment; business is a play of ambition
- Religion says, adjust your within to suit your without; business says, adjust your without to suit your within
- They are opposites, not merely incompatible

When did ethics begin?

- In most cultures, ethics are connected with divine origins:
 - Babylonian civilization received laws of Hammurabi from sun god
 - God gave 10 commandments to Moses
 - In Greek civilization, Plato says that god Zeus gave morality to help mankind
 - Manusmriti Samhita incorporates earliest code of social and legal ethics in India

Ethics and society

- In fact both religion and ethics serve a common need: society
- Societies are built on the plank of co-existence and mutuality
- All societies, whether those of humans or non-humans, need mutual support, forbearance and care:
 - Observed in societies of wolves, baboons, dolphins, etc.
- Thus, two important pillars of all societies are:
 - Reciprocity
 - kinship

Ethics – Indian view

- Indian religion has always been associated with philosophy
- The vedas (about 4000 years old) talked about 4 basic goals of existence:
 - Prosperity
 - Satisfaction of desires
 - Moral duty
 - Salvation
- Upanisads distinguished between law and ethics – ethics come from inner desire
- Charvaka philosophy was basically materialistic and was a voice of dissent
 - In a way, Charvak was reactionary; he was opposing the Brahmanical dogmas in a sharp way
 - Jain scriptures deal with “akriyavad” at length
- Jain philosophy was based on the quintessential principle of non-violence
- Buddha dwelt on compassion and brotherhood

Jain ethics

- Charitra dharma, that is, ethics, is one of the two main foundations of Jainism, the other being shrut or philosophy
- Jainism is founded on the equality of all living beings
 - To an extent, it puts all non-living beings also on a status of respect
- Hence, Jainism represents the highest standard of ethics ever

Ethics – ancient Chinese view

- Two great ancient Chinese philosophers, Lao-tzu, and Confucius, existed in 6th century BC.
- Lao-tzu, proponent of the rule of Tao, emphasized simplicity and humility; said rank, social status are meaningless.
- Confucius' dealt with 'superior' man – one who aims at good, has ethical values
 - One word he gave was reciprocity; do not do unto others what you do not want to be done to you

Ethics in ancient Greece

- Early Greek philosophers: Pythagoras, Socrates, Plato and Aristotle,, have all emphasized ethics
 - Pythagoras was contemporary of Buddha and Lao Tzu, and it is contended by many that he was influenced by Jain philosophy
- Socrates is regarded as one of the major contributors to Western ethics:
 - Socrates did not prescribe ethics but propounded method of enquiry
- Plato, a disciple of Socrates, took forward ethics
 - Ethics results from balance of 3 forces: intellect, emotion and desire
- Plato for the first time dealt with long term good and short term good:
 - He said, ethics survive in the long run
- Aristotle propounded the theory known as “Golden Mean” – somewhat similar to Buddha’s middle path

Ethics in Christianity

- Jesus was admitted a reformer of Hebrew ethics and did not innovate a system of his own.
- St Augustine is regarded as one of the first ones to codify Christian views on ethics:
 - He held spiritual bliss on the top of worldly pleasures
 - Also rejected the idea that love of God is for fear of punishment in afterlife
- Long time after St Augustine, French philosopher Peter Abelard (11-12th century) dealt with ethics:
 - Stressed on intentions or the inner consent to a crime
- St Thomas Aquinas (13th century) gave the idea of the “natural law”
 - Ethics which are so basic that they require no legislator
- In 17th century England, there came scholars who were called “intuitionists” who believed in intuition
- Coming to 17th century England, the idea of enlightened self-interest came in – that morality does not clash with self- interest

Normative ethics – 19th century philosophy

- 19th century thinkers did not dwell much on whether ethics are subjective or objective
- Meta-ethics, or normative ethics, deals with what is right and what is wrong
- In 19th century England, another philosophy emerged called “utilitarianism” (Bentham)
 - Utilitarians relate everything to pleasure and pain
 - Everything that increases pleasure or reduces pain is good
- From here on, economics enters ethics:
 - Economist JS Mill also contributed to the Bentham’s theory
 - Sidgwick also contributed to the same

Present day ethics philosophy

- By end of 19th century, Kant, Hegel and Marx had expressed several views on ethics
- Nietzsche came with radical thoughts – god is dead
- Sartre came with similar ideas, denying idea of God and said whatever ensures existence is good
- Currently, ethics is divided into 3 branches:
 - Meta-ethics: deals with ethical properties
 - Normative ethics: deals with what things are good or bad
 - Applied ethics: application of ethics to practical problems
- Is what is good or bad judged from its consequences:
 - Teleology – actions are judged by their consequences
 - Deontology – actions are judged by whether they accord with the general rule

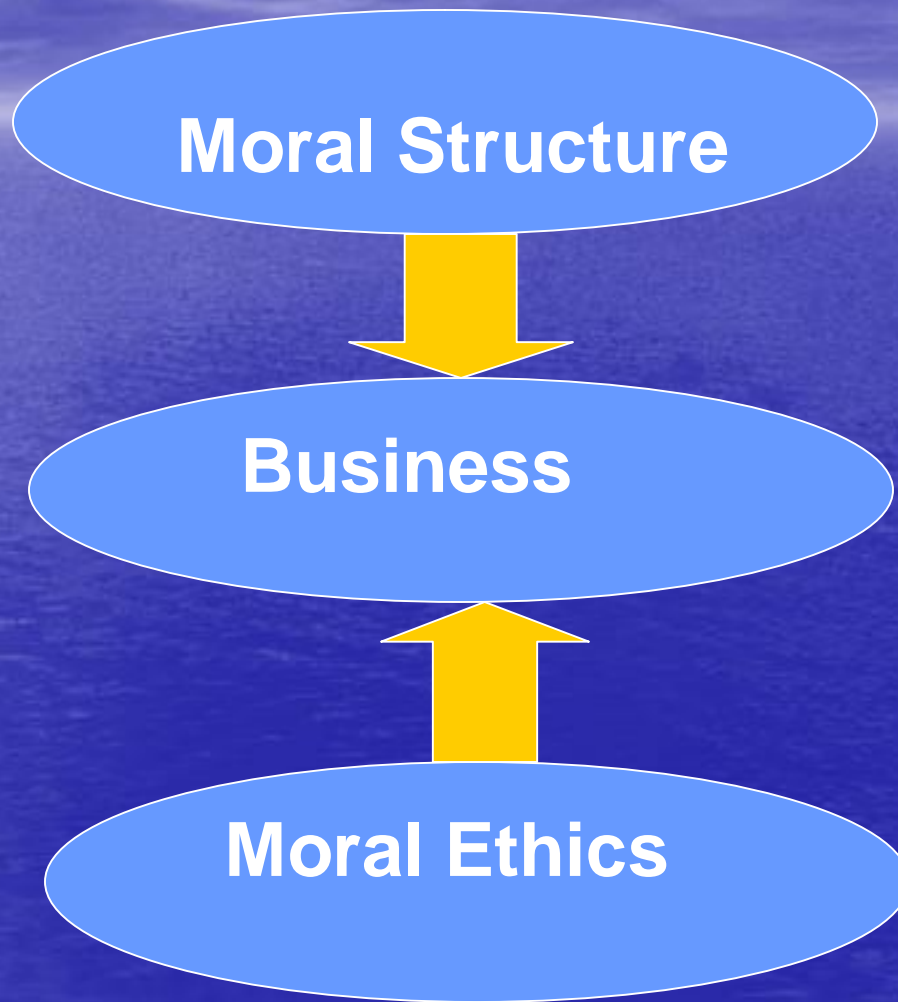
Ethics is long term policy

- All religion, all ethics and morals spring from the basic conflict between short term and long term:
 - If we limit ourselves to the short term:
 - Pleasures today, even at the cost of pains tomorrow, sound like a good bargain
 - If we take long term into account:
 - Every such pleasure which is not lasting, is avoidable
- Long term is how long:
 - Do we look at our lifetime?
 - Do we look at the lives of our children and posterity?
 - Do we take the eternal view of perennial life
- Religion in its absolute form tends towards the eternal view:
 - All practical adaptations of ethics are essentially truncated forms of the total religious view

Relationship between Business and Ethics

- Economist like Milton Friedman and Talcott expressed different views about the relationship between ethics and business. This result was
- Unitarian view of ethics
- Separatist view of ethics
- Integration view of ethics

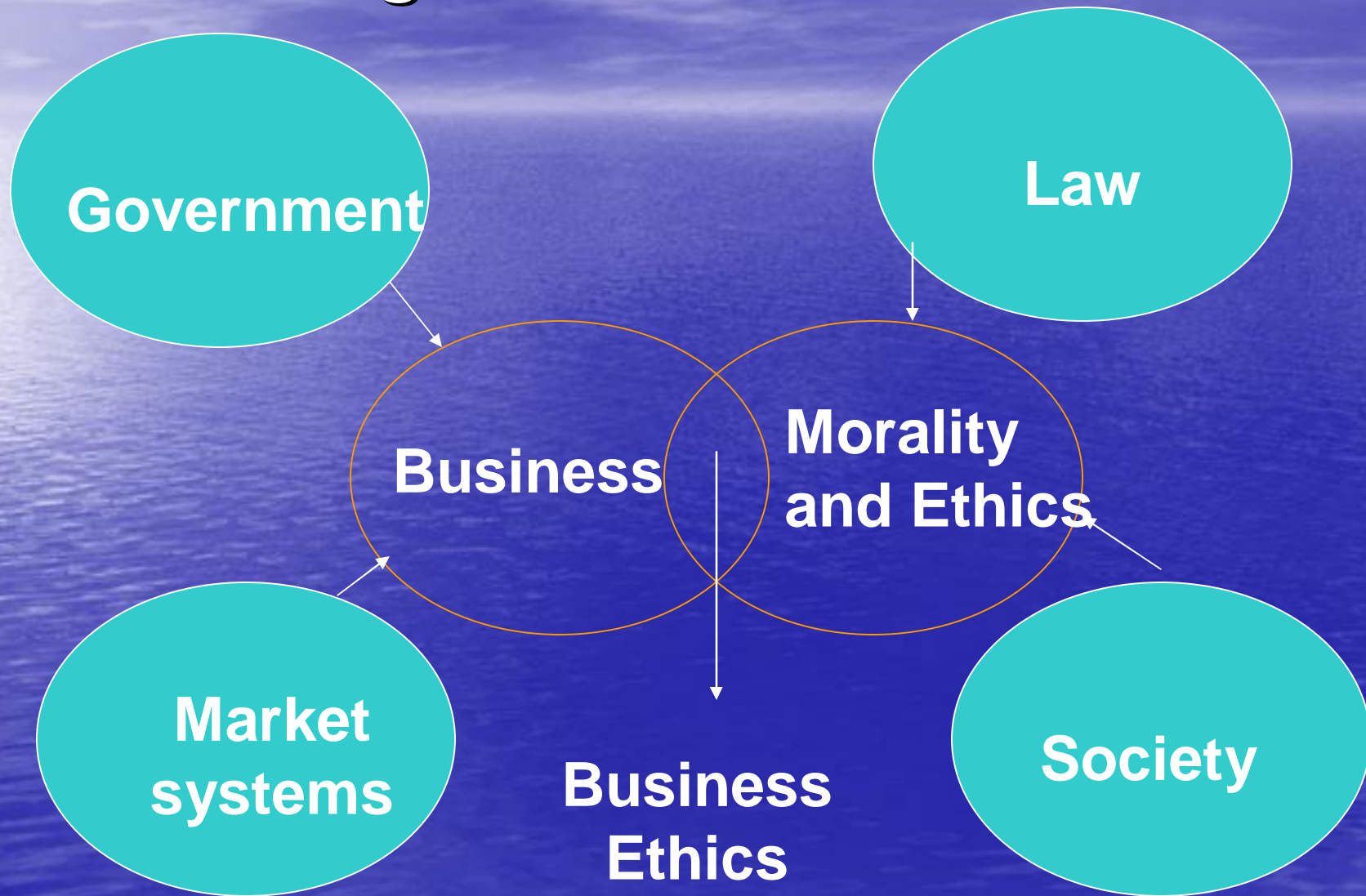
The Unitarian View of Ethics



The Separatist view of Ethics



The Integration View of Ethics



Business Ethics

- Business ethics is an art or science of **maintaining harmonious relationship with society, its various groups and institutions** as well as **reorganizing the moral responsibility** for the rightness or wrongness of business conduct.

Long termism in business

- Issues of corporate ethics have taken the form of short-termism vs. long-termism
- If businesses are focused on long term stability and growth, they are ethical:
 - Short term strategies, aimed at earning per share for the year in question, compromise on longer interests
- Warren Buffet has often stressed on long term strategies
- Investigations into Fannie Mae suggested that the entire senior management was intensively focused on earnings guidance
- Capital market orientation of companies force them to be tempted by short term targets:
 - Increasingly, the entire system of how companies are evaluated by analysts, investors and stock markets leads to a short term approach
 - McKinsey survey [March 2006] shows that companies are focused on short term strategies due to market pressures

When Do We Become Ethical?

“A course entitled ‘The Ethics of Corporate Management,’ offered at the University of Michigan, says in its description, ‘This course is not concerned with the personal moral issues of honesty and truthfulness. It is assumed that the students at this university have already formed their own standards on this issue.’” Maxwell at 6.

Blanchard/Peale's Three Questions

- Is it Legal?
- Is it Balanced?
- How Will it Make me Feel About Myself?

Blanchard, Ken and Norman Vincent Peale, *The Power of Ethical Management.*

Nature of Business Ethics

- Most businesses encounter two types of ethical problems known as overt and covert ethical problems.
- Overt ethical problems deal with bribery, theft, collusion, etc. They are clear and reprehensible.
- Whereas covert ethical situations occur in corporate acquisitions, marketing and personnel policies, capital investment etc. They are complex, unclear and have difficult ethical solutions.

Nature of Business Ethics

- **Principles applied to business activities.**
- **Wide coverage**
 - **customers**
 - **shareholders**
 - **employees**
 - **govt.**
 - **competitors**

Characteristics of Ethical Decisions in Business

- Ethical decisions differ according to an individual's perspective. Individual views the ethical decision in his or her frame of reference or value system. Hence, ethical decisions do not have a unique solution, but a multitude of alternatives.
- Decisions either ethical or unethical, have wide ramifications, hence affect other situations.

Characteristics of Ethical Decisions in Business contd...

- The consequences of most unethical decisions are ambiguous in nature. For instance, an individual seeking employment in government office bribes the officials. But the individual is uncertain whether he will be provided with the employment.
- Ethical or unethical decisions depend upon individual actions.

Business Ethics and Profits

- Survival is the name of any business game. If a company wants to survive it has to think about its profits. Most business operate on the principle that profit is not linked to ethical consideration. But there are instances which nullify the above principles.

Eg: [Johnson & Johnson](#)

Business Ethics and Profits contd...

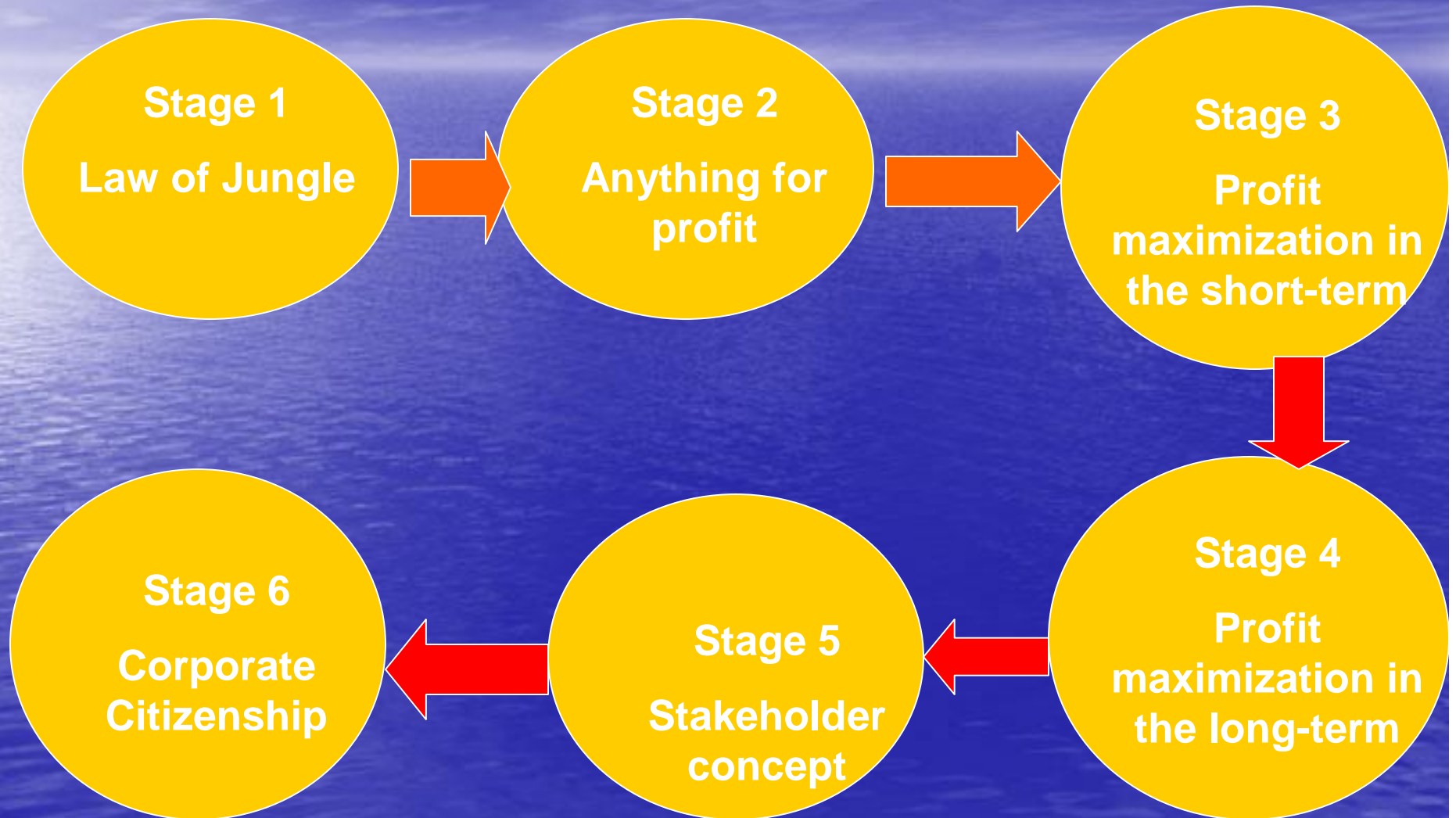
- A firm that is not performing well is considered as liability and burden to the society as it cannot discharge its responsibility to the community welfare of its employees, revenue to shareholders, and meet customer demands.
- Thus profit today is recognized as a characteristic of the success of a business and justification for its existence.

Areas of ethical violations

- Misuse of confidential information
- Poor quality of goods and services rendered
- Insider trading
- Receiving gifts or favors from suppliers
- Promoting conflicting self-business interests

The survey conducted by KPMG on '800' top Indian companies

Stages of Ethical Consciousness in Business



Need for Business Ethics

- Check business malpractices.
- Improve consumer confidence.
- Protect other social groups.
- Safeguard consumer rights and social welfare.
- Make businessmen conscious of social responsibilities.

Need for Business Ethics

- All businesses exist and operate within society and therefore they should contribute to welfare of society.
- To survive in the market, businesses should gain loyal customers and perform social responsibility.

Need for Business Ethics contd...

- According to George A Steiner, " the managers of the biggest companies know as a business gets larger, the public takes more interest in it because it has a greater impact on the community. The antennae of these managers are tuned to public opinion and they react to it. They seek to maintain a proper image of their company in the public mind. This leads to the assumptions of greater social responsibilities ".

Need for Business Ethics contd...

- Thus, business either big or small, much operate on ethical grounds and discharge their social obligations to survive in the long-run.
- Milton Friedman was of the view that the aim of the business is to earn profits by utilizing the resources and engaging in open and free competition, without deception or fraud.

Need for Business Ethics contd...

- Another philosopher Theodore Levitt, was of the view that social values would dominate business values if business concerned themselves with ethics.

Importance of Business Ethics

- **Guidance to businessmen.**
- **Creates social consciousness.**
- **Facilitates business expansion.**
- **Protection to environment.**
- **Pro-consumer business.**

Features of Business Ethics

- Not against profit making.
- Education and guidance required.
- Provides basic framework.
- Needs willing acceptance and enforcement.
- Acts as '*summum bonum*' of human life

ETHICAL DILEMMAS

- **Face-to- Face Ethics**
- **Corporate policy**
- **Functional area ethics**

Ethical Dilemmas in Business

- Ethical problems result in dilemmas for managers because they usually represent a conflict between an organization's economic performance and its social performance.
- For an organization, social performance implies various obligations such as protecting employment and pollution control. Since considerable expenses may be involved in discharging these obligations, organizations often find it inconvenient to ignore them.

The Importance of Wise Choices

- Acting unethically is a choice
- In any situation we can choose to act ethically or not
- Sometimes we can trust our “gut”
- Other times we can't

Why Is This a Dilemma?

We make unethical decisions for one of these reasons:

- We do what is most convenient (thoughtless)
- We do what we must to win (need)
- We rationalize our choices with relativism.
- We don't know any better or practice ignorance of convenience
- We are fearful (actual or perceived threat)

Common Rationalizations for Unethical Behavior

- If It's Necessary, It's Ethical
- The False Necessity Trap
- If It's Legal and Permissible, It's Ethical
- I Was Just Doing It For You
- I'm Just Fighting Fire With Fire
- It Doesn't Hurt Anyone, & Everyone's Doing It
- It's O.K. If I Don't Gain Personally
- I've Got It Coming (I Deserve It)

Unethical Business Practices of Employees

- Showing respect to those who act unethically
- Abusive or intimidating behavior
- Misrepresentation of hours worked
- Lying
- Withholding information

- Context issues:
 - Companies in transition (mergers, downsizing)
 - Younger managers and employees with lower tenure in the organization

Where the Most Unethical Behavior Happens

1. Government
2. Sales
3. Law
4. Media
5. Finance
6. Medicine
7. Banking
8. Manufacturing

The Costs of Doing Business Unethically

- Billions of dollars each year in lawsuits and settlements
- Deterioration of relationships
- Damage to reputation
- Declining employee productivity, creativity, and loyalty
- Ineffective information flow throughout the organization
- Absenteeism and turnover
- Theft (est. \$600 billion annually)

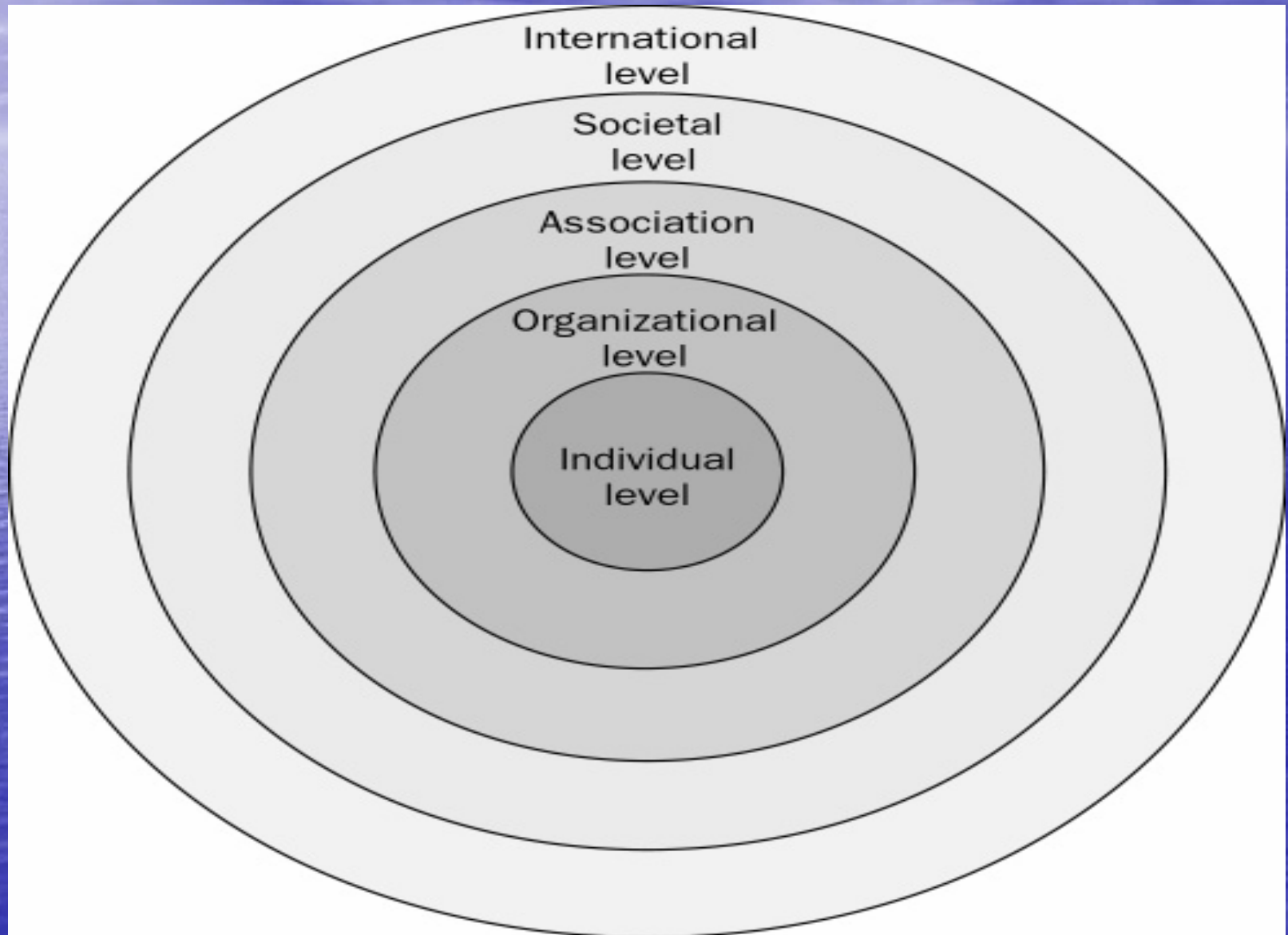
Position of Business Ethics in INDIA

- Limited attention to business ethics
- Unethical practices are used extensively
- Businessmen are severely criticized due to their unethical practices
- Socially conscious and progressive businessmen support ethical business
- Business environment in India is not favourable for business ethics

Reasons for presence of Unethical Practices

- **Psychology of businessmen**
- **Indian consumers are poor, illiterate and submissive**
- **Absence of well organized consumer movement**
- **Ineffective laws**
- **Inadequate support of the government**

Business Ethics Levels



How to Make Ethics a part of Everyday Life ?

- **Respect Organizational Resources**
- **Say NO To Negativity**
- **Make Sure The Mission Matters**
- **Tame The Blame**
- **Be Truthful**

10 commandments of Ethics

- **Be honest**
- **Have integrity**
- **Keep your word**
- **Maintain fidelity**
- **Always be fair**
- **Care for others**
- **Respect others**
- **Be a responsible citizen**
- **Rigorously pursue excellence**
- **Always be accountable**

Ethical Norms

- Norms are regular ways of doing things that everybody agrees on. Unlike other conventions, ethical norms regulate all aspects of our lives in ways that are crucial for the existence of society. They are also a core part of who we are.
Idiots Guide to Understanding Ethics, p.9
- If men were angels, no government would be necessary.
James Madison (1751 - 1836)
- **Ethical Codes Database =**
<http://ethics.iit.edu/codes/>

Universal Rule

- Christianity - Whatever you want men to do to you, do also to them.
- Islam - No one of you is a believer until he loves for his neighbor what he loves for himself.
- Judaism – What is hateful to you, do not do to your fellow man. This is the entire law; all the rest is commentary.

Universal Rule

- **Buddhism** – Hurt not others with that which pains yourself
- **Hinduism** – This is the sum of duty; do naught unto others what you would not have them do unto you.
- **Zoroastrianism** – Whatever is disagreeable to yourself, so not do unto others.
- **Confucianism** – What you do not want done to yourself, do not do to others.

Universal Rule

- Bahai – And if thine eyes be turned toward justice, choose thou for thy neighbor that which thou choosest for thyself.
- Jainism – A man should wander about treating all creatures as he himself would be treated
- Yoruba Proverb (Nigeria) – One going to take a pointed stick to pinch a baby bird should first try it on himself to feel how it hurts.

Why You Should Adopt It

1. The Golden Rule is accepted by most people
2. The Golden Rule is easy to understand
3. The Golden Rule is a win-win philosophy
4. The Golden Rule is a compass when you need direction

- **Models of Ethical Behavior**

- **The Golden Rule** : dating back to 500 B.C. (Confucius): *“What you do not want done to yourself, do not to others”*
- **Premises:**
 - Concern for Others
 - Treating Others Better Than They Would Treat You
- **Problem:** Conflicting Interests; Competing Beneficiaries

- **Models of Ethical Behavior**

- **Kant's Categorical Imperatives** : absolute moral duty based on principle; not the consequences it produces
- **Premises:**
 - No Exceptions, No Excuses
 - Rule of Universality
 - Rule of Respect
- **Problem:** Irresolvable conflicts when faced with opposing ethical values

- **Models of Ethical Behavior**

- **Kant's Categorical Imperatives** : absolute moral duty based on principle; not the consequences it produces
- **Premises:**
 - No Exceptions, No Excuses
 - Rule of Universality
 - Rule of Respect
- **Problem:** Irresolvable conflicts when faced with opposing ethical values

- **Models of Ethical Behavior**

- **Consequentialism / Utilitarianism** : holds that the ethical merit of an act is determined by the consequences it produces
- **Premises:**
 - Principle of Utility & Greatest Good/Number
 - Act Utilitarianism
 - Rule Utilitarianism
- **Problem:** Easily manipulated with self-serving rationalizations

- **Models of Ethical Behavior**

- **Josephson Model** : a hybrid of the previous three models

- **Premises:**

- All decisions must take into account and reflect a concern for the interests and well-being of all others
 - Ethical values & principles always take precedence over their non-ethical alternatives
 - It is ethically proper to violate an ethical principle when it is clearly necessary to advance another ethical principle, which will produce the greatest balance of good in the long run.

EIGHT STEPS to develop Corporate Ethics programme

- **Find a champion**
- **Get endorsement from the Chairman and the Board**
- **Find out what bothers people**
- **Pick a well-tested model**
- **Produce a company code of conduct**
- **Try it out first**
- **Issue the code and make it known**
- **Make it work**

A MODEL FOR ETHICAL DECISION-MAKING

The same three St. Louis writers* previously mentioned have developed the following sevenstep model for making ethical decisions:

- Step 1: Determine the facts of the situation.
- Step 2: Identify the ethical issues in the situation.
- Step 3: Specify whose interests are involved and who will be most affected.
- Step 4: Develop a list of available and realistic alternative solutions.
- Step 5: Analyze the ethical impact and implications of each of the alternative solutions.
- Step 6: Select the solution that provides the optimum ethical resolution.
- Step 7: Implement the decision, follow up, and adjust if necessary.

*Raymond Hilgert (business professor), James Truesdell (attorney-businessman) and Philip Lochhaas (pastor).

THE JOSEPHSON INSTITUTE 7-STEP PATH TO BETTER ETHICS DECISIONS

1. Stop and think.
2. Clarify goals.
3. Determine facts.
4. Develop options.
5. Consider consequences.
6. Choose.
7. Monitor and modify.

(Source: www.josephsoninstitute.org)

How Do You Want To Be Treated?

1. I want to be valued.
2. I want to be appreciated.
3. I want to be trusted.
4. I want to be respected.
5. I want to be understood.
6. I do not want others to take advantage of me.

Making Decisions

- Ethics are demonstrated in action; actions that demonstrate ethics are choices or decisions
- Making a bad choice, or even a series of bad choices does not prohibit making the next choice a good one.

8 Good Choices

1. Take responsibility for your actions
2. Develop personal discipline
3. Know your weaknesses
4. Align your priorities with your values
5. Admit wrongdoing quickly and ask forgiveness
6. Take extra care with finances
7. Put your family ahead of your work
8. Place high value on people

What to Do?

- Adopt the golden rule in all of your dealings
- Learn to make good choices that firm up your integrity, not harden your conscience.
- The solution lies in the consistent application of good choices
- Each action you take, good or bad, affects the world we live in.

Personal Responsibility

- Old Standards:
 - Is this Legal?
 - Is this specifically against company policy?
 - Can I sleep at night? [recall hardened conscience]
- New Standard
 - Is this how I would want someone I trusted to act on my behalf?

Warren Buffet's rule of thumb for ethical conduct

- "...I want employees to ask themselves (when they are in doubt about whether a particular conduct is ethical or not) whether they are willing to have any contemplated act appear the next day on the front page of their local paper – to be read by their spouses, children and friends – with the reporting done by an informed and critical reporter." [Berkshire Hathaway's code of ethics]

Your Moral Compass

“In the final analysis, it is your moral compass that counts far more than any bank balance, any resume, and yes, any diploma”

Elizabeth Dole

Duke University Commencement

2000.

"THERE'S NO SUCH THING AS BUSINESS ETHICS"

John Maxwell has written several best-selling books on leadership and speaks to thousands of people every year on this topic. One of his books is titled Ethics 101. In this book he writes:

"There's no such thing as business ethics--there's only ethics. People try to use one set of ethics for their professional life, another for their spiritual life, and still another at home with their family. That gets them into trouble. Ethics is ethics. If you desire to be ethical, you live it by one standard across the board." (Preface)

Conclusion

- Whenever there are meaningful discussions to create better socio-economic conditions in the society or to make the world a better place to live in, the discussions invariably touch Business and Industry or Trade and Commerce also besides other areas of human activities. Those who run their business or industry on principles of honesty, integrity and justice (**business ethics**) are the ones who raise the prestige of their nation and are inspiring examples unto others.
- However, there are people who indulge into unfair, unjust, dishonest or socially harmful activities and do not believe in fairplay and excellence.

References

- “*Making Ethical Decisions*”, the Josephson Institute of Ethics
- “*Complete Guide to Ethics Management: An Ethics Toolkit for Managers*”, Carter McNamara
- Albertson, Todd. (2007). *The Gods of Business: The Intersection of Faith and the Marketplace*. Los Angeles, CA: Trinity Alumni Press.
- Behrman, Jack N. (1988). *Essays on Ethics in Business and the Professions*. Englewood Cliffs, NJ: Prentice Hall.
- Bowie, Norman E. (1999). *Business Ethics, A Kantian Perspective*. Blackwell Publishing.
- George, Richard T. de (1999). *Business Ethics*. Prentice Hall. ISBN 0-13-079772-3.

References

- Hartman, Laura (2004). *Perspectives in Business Ethics*. Burr Ridge, IL: McGraw-Hill.
- Harwood, Sterling (1996). *Business as Ethical and Business as Usual*. Belmont, CA: The Thomson Corporation.
- Jackson, Kevin (2004). *Building Reputational Capital*. New York, NY: Oxford University Press.
- Knight, Frank (1980). *The Ethics of Competition and Other Essays*. University of Chicago Press. ISBN 0-226-44687-5.
- Rothman, Howard; Scott, Mary (2004). *Companies With A Conscience*. Denver, CO: MyersTempleton.
- Seglin, Jeffrey L . (2003). *The Right Thing: Conscience, Profit and Personal Responsibility in Today's Business*. Spiro Press.