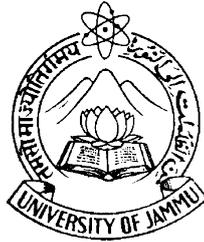


***Directorate of Distance Education***

**UNIVERSITY OF JAMMU**

**JAMMU**



**SELF LEARNING MATERIAL**

**B.COM SEMESTER SECOND**

**Course No. BCG- 202**

**UNIT - I - IV**

**SUBJECT : BUSINESS ETHICS**

**LESSON 1- 20**

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# **BUSINESS ETHICS**

Course No.: BC-202  
Duration of Exam. : 3 Hrs

Title : Business Ethics  
Total Marks : **100**  
Theory Examination : **80**  
Internal Assessment : **20**

**OBJECTIVE:** The basic objective of this course is to provide the knowledge on ethics and value system in general and business in particular

## **UNIT-I : INTRODUCTION TO BUSINESS ETHICS**

Concept of business ethics- Need, factors, principles, ethical values for success in business; Ethical problems faced by managers; Arguments against business ethics, ethics and Indian value system.

## **UNIT-II : BELIEFS AND STANDARDS**

Brief introduction to the meaning of values, norms, beliefs and moral standards; Values- Meaning and types, features; Code of ethics- Role, benefits, contents, steps for effective code of ethics.

## **UNIT-III : ETHICS AT WORK PLACE**

Importance of work place ethics; Guidelines for managing ethics at work place; Factors influencing work place ethics; Forms of discrimination; Ethical arguments, against discrimination; Types of discrimination practices and prevention of other types of harassment.

## **UNIT-IV : ETHICS IN MARKETING AND CONSUMER PROTECTION**

Ethical issues in marketing, need for ethical behaviour in marketing, social affects of advertising, factors determining advertising ethics; Consumer protection- Need for consumer protection, brief introduction about machinery for redressal of consumer grievances, ethical approaches to consumer protection.

## **BOOKS RECOMMENDED**

- 1 Murthy, C.S.V. : Business Ethics, Himalaya Publishing House, New Delhi
- 2 Badi, R.V & Badi N.V : Business Ethics, Varinda Publications, Delhi
- 3 Bhalla S.K : Business Ethics & Corporate Governance, Deep & Deep Publication, New Delhi
- 4 Gavai, A.K : Business Ethics, Himalaya Publication
- 5 Hundepar, S.G : Business Ethics & Human Values, Excel Books, New Delhi
- 6 Ghosh, Biswanath : Ethics in Management and Indian Ethos, Vikas Publishing House, New Delhi.
- 7 Rupami, Riya : Business Ethics and Corporate Governance, Himalaya Publishing House, New Delhi.
- 8 Gupta, C.B. : Business Ethics and Communication, Sultan Chand & Sons, New Delhi.

## **NOTE FOR PAPER SETTER**

Equal weightage shall be given to all the units of the syllabus. The external paper shall be of the two sections viz, A& B.

### **Section-A :**

This section will contain four short answer questions selecting one from each unit. Each question carries 5 marks. A candidate is required to attempt all the four questions. Total weightage to this section shall be 20 marks.

### **Section-B :**

This section will contain eight long answer questions of 15 marks each. Two questions with internal choice will be set from each unit. A candidate has to attempt any four questions selecting one from each unit. Total weightage to this section shall be 60 marks.

**MODEL QUESTION PAPER**

**BUSINESS ETHICS**

**Session - A (20 Marks)**

**Attempt all the questions. Each question carries five mark.**

1. Briefly discuss various types of values?
2. Explain the importance of work place ethics?
3. What are advertising ethics. Explain them briefly?
4. What is whistle blowing. Mention its characteristic?

**Session - B (60 Marks)**

**Attempt ant four questions selecting one question from each unit. Each question carries 15 marks.**

1. Discuss the relevance of ethical value in the success of business?

OR

State the arguments against business ethics. Support your answer with suitable examples?

2. Differentiate between values and beliefs. Give suitable examples?

OR

Briefly state the various steps for enforcing effective code of ethics at work place?

3. Explain ethical consideration with regard to types of discrimination in an organisation?

OR

What is sexual harassment. Suggest measures to prevent sexual harassment at work place?

4. Briefly explain the various ethical approaches to consumer protection in India.

OR

Discuss different factor that influence ethical marketing behaviour?

**OBJECTIVES**

After going through this lesson, you will be able to understand:

- meaning, characteristics, need and principles of business ethics
- ethical values for success in business
- ethical problems faced by managers
- arguments against business ethics
- ethics and Indian value system

**STRUCTURE**

## 1.1 Introduction

## 1.1.1 Meaning of Business Ethics

## 1.1.2 Characteristics of Business Ethics

## 1.1.3 Types of Ethics

## 1.2 Need of Business Ethics

## 1.3 Factors Highlighting the Importance of Business Ethics

## 1.4 Principles of Business Ethics

## 1.5 Ethical Values for Success in Business

- 1.6 Ethical Problems faced by Managers
- 1.7 Arguments against Business Ethics
  - 1.7.1 Preventing Unethical Practices in Organisations
- 1.8 Ethical Theories
- 1.9 Indian Value System in Relation to Business Ethics
  - 1.9.1 Characteristics of Indian Value System and Ethics
  - 1.9.2 Individual Ethics according to Indian Value System
- 1.10 Summary
- 1.11 Self Assessment Questions
- 1.12 In-Text Questions
- 1.13 Further Reading

## **1.1 INTRODUCTION**

The word 'Ethics' has been derived from the ancient Greek word 'Ethikos'- meaning of which is essence of values and habits of a person or group. The term ethics describes a set of principles that provide a framework for conduct. Ethics is all about rules governing the way in which we determine what is 'right' or 'wrong', 'good' or 'bad. In other words, Ethics is about our actions and decisions. When we act in a way which is consistent with our beliefs, we will characterise that as acting ethically. When our actions are not consistent with our values - our sense of right, good and just - we will view that as acting unethically. Ethics is perceived as a set of societal standards of conduct and moral judgment that encompasses the norms of a given community. Ethics are a personal set of values used by an individual a group or a profession, so as to guide them in their action and help them fulfill or carry out their obligation. Its subjective rather than objective and its relative to our perception of reality dependent on circumstances and life experiences of the individual or group,

thus making it a continuously evolving code of conduct. It addresses issues pertaining to morality, i.e. good and bad; right or wrong etc.

No doubt, ethics is a subjective topic that may mean different things to different people, it's still very important in all types of corporate settings.

The golden rule of ethics is often terms as "Ethics of Reciprocity". The golden rule states "Do unto others as you would have them to unto you". In other words, "treat others as you would like to be treated, if you were them". The golden rule is an example of normative theory which establishes a single principle against which we can judge all action (i.e. whether any possible action is right or wrong).

### **WHY ARE ETHICS IMPORTANT?**

Highly educated, successful and business savvy corporate professionals at Enron, Tyco, WorldCom, and Satyam got themselves into a big mess mainly because of profound lack of ethics. Ethics are important in all aspects of life, because it is an essential part of the foundation on which a civilized society is built. To exist in the business ethics are essential. Ethics encourage true and fair practices in place of malpractices, promote truth in place of false and misleading actions, prefer fair means in place of unfair means. Ethics is important to businesses for several reasons:

- (i) Ethics create good relationship among various stakeholders.
- (ii) Ethics is an index for development.
- (iii) Ethics reduces the corruption level and mistrust.
- (iv) Ethics creates investor friendly atmosphere and minimizes risk.
- (v) Ethics corresponds to basic human needs.
- (vi) Ethics create credibility with the public and with the employees.
- (vii) Ethics and profit go together.
- (viii) Rules and regulations can control or minimise the corruption, but can't prevent it fully, whereas ethics can do this wonder.

(ix) Law can't protect society, while ethics can.

### **1.1.1 MEANING OF BUSINESS ETHICS**

Business Ethics is concerned with the application of ethics to the business activities. Business ethics are moral values and principles that determine our conduct in the business world. Business ethics is the application of general ethical ideas to business behaviour. All in all the ethical issues existed since ages but ethics in business became more relevant in the present era of cut throat competition.

Ethical business behaviour facilitates and promotes good to society, improves profitability. Foster business relations and employee productivity. The concept of business ethics has come to mean various things to various people, but generally it's coming to know what is right or wrong in the workplace and doing what's right - this is in regard to effects of products/services and in relationships with stakeholders. Business ethics are structured around values as fairness and honesty.

Business ethics is concerned with the behaviour of businessman in doing a business. Unethical practices creating problems to businessman and business units. The life and growth of a business unit depends upon the ethics practiced by a businessman. Business ethics are developed by the passage of time and custom. A custom differs from one business to another. If a custom is adopted and accepted by businessman and public, that custom will become an ethic. Business ethics is applicable to every type of business. The social responsibility of a business requires the observing of business ethics. A business man should not ignore the business ethics while assuming social responsibility. Business ethics means the behaviour of a businessman while conducting a business, by observing morality in his business activities. The ethos of business ethics should be a part and parcel of every business.

**According to Wheeler,** "Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as reorganizing the moral responsibility for the rightness and wrongness of business conduct".

**According to Velasquez,** "Business ethics examines three particular subjects:

the systematic issues that are considered as the ethical concerns focussing on the economic, legal, politics and social structures in which companies perform, the corporate issues which are particular to a specific company and the individual issues which refer to the concerns of an individual working in a specific company.

Business ethics or ethical standards are the principles, practices and philosophies that guide the business people in the day today business decisions. It relates to the behaviour of a businessman in a business situation. They are concerned primarily with the impacts of decisions of the society within and outside the business organisations or other groups who keep interest in the business activities. Business ethics can be said to begin where law ends. Business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong.

### **1.1.2 CHARACTERISTICS OF BUSINESS ETHICS**

The following are the important features of business ethics:

1. Business ethics are the principles, norms and standards that guide an organisation's conduct of its activities, internal relations and interactions with external stakeholders.
2. It is considered both as a science and an art.
3. It continuously test the rules and moral standards and is dynamic in nature.
4. It is based on theological principles such as sincerity, human welfare, service, good behaviour etc.
5. It is based on reality and social customs prevailing in business environment prevailing in business environment.
6. It studies the activities, decisions and behaviour which are related to human being.
7. It has universal application because business exists all over the world.
8. Many of the ethical principles develop the personal dignity.

9. Business ethics keeps harmony between different roles of businessman, with every citizen, customer, owner and investors.

### 1.1.3 TYPES OF ETHICS

The following are the major types of ethics:

**1. Individual ethics:** Individual ethics includes practices in private life of an individual according to the beliefs of an individual. The ethical duties and responsibilities can be listed such as not to tell lies, to keep one's word, try not to hurt others. These listed duties and responsibilities may change from an individual to another. For this reason, no single universal right decision exists.

**2. Institutional ethics:** Institutional ethics includes democratic management. Besides that, economic and social development, mutual assistance, equal treatment, volunteering, solidarity, justice and peace are also the main elements of institutional ethics. If responsibilities aren't generally shared, institution may create unethical pressure on individuals. When humans share their mutual aims and values, moral leaders and working people form a team and a family.

**3. Social ethics:** Social ethics stems from the relations of the institutions with society. The responsibilities of the managers are beyond the boundaries of the institutions. Managers have relations with public offices, unions, wholesalers, customers and even competitors. Managers are responsible environmental pollution, unsafe product and unjust competition. Besides, managers have to abide by the standards determined by professional organisations or chambers, which they attached.

**4. Global ethics:** The growth of international business urged the MNCs to develop universal ethical standard. Buller and Mcevoy suggest that ethical capabilities can be an important source of sustainable advantage in addition to strategic, technological financial and organisational capabilities as source of competitive advantage. A MNC must try to identify and respond effectively to ethical issues in a global context. Business ethics behaviour of firm in a global context can be described in two different frameworks: relatives or absolutism. Relativism or absolutism. Relativism refers to behave which is applicable to the saying "when in Rome, do as the Romans do". On

the other hand absolutism argues that "home country cultural (and ethical) values must be applied everywhere as they are home".

## **1.2 NEED OF BUSINESS ETHICS**

Business ethics provide significant corporate advantages. The need of business ethics is really obvious in every area of the business. Recent research also supports the fact that companies with strong ethical cultures outperform those whose ethical cultures are weak. When companies behave in an ethical way, it results in a number of benefits to the company as a whole.

**1. Good reputation:** Good corporate reputation is built on a solid foundation of ethical culture. Business ethics helps to create mutual trust and confidence in relationship. The public trust is an essential aspect allowing firms to gain the satisfaction of customers. Satisfied consumer will certainly come back and portrays a positive image of the company and its products. Good reputation in the mind of customers will certainly pay in the long run. In a similar fashion, a customer cheated only once by unethical practices adopted by the company is likely to share negative information about a through word of mouth as well as through social networking sites like Facebook, Twitter etc.

**2. Better service to society:** Business has the potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development. A company that behaves in an ethical way and serves society, will definitely get the community support in return, which would be invaluable to the success of the company.

**3. Cornerstone of corporate governance:** Ethics are the cornerstone of corporate governance, in order that firms can meet these ethical expectations Good ethical standard helps the business to face the challenges of corporate governance more effectively. Moreover, a company known for dealing honestly with all the stakeholders is likely to be more successful in business.

**4. Ethical decision making:** Business ethics can help to improve ethical decision

making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyse, and provide solutions to the ethical problems and dilemmas they are confronted with.

**5. Long term sustainability of a business:** Ethical conduct allows companies to achieve a long term liaison with the clients, their assistance and high esteem are essential for success. It helps them to retain the business for long years.

**6. Increased employees commitment:** Employees believe that ethics is an essential instrument encouraging them to keep working for their employer. When a company believes in and practices ethical culture in the company, the employees will certainly feel attached and will be ready to make individual sacrifices for the well being of the company.

**7. Prevention of fraud:** Ethics play a major role in the prevention of fraud. Fraud prevention becomes a shared responsibility among all the members of the organisation. Business ethics can provide us with the ability to assess the possibility of frauds in organisations and to take effective safeguards to prevent such frauds.

**8. Competitive advantage:** Business ethics allow companies to have a competitive advantage. Investors well know that an ethical conduct on the part of company contributes to effectiveness and profit earning capacity of the company.

### **1.3 FACTORS HIGHLIGHTING THE IMPORTANCE OF BUSINESS ETHICS**

In the present scenario, we can cite a few factors which highlight the importance of business ethics.

**1. Long-term growth:** Sustainability comes from an ethical long-term vision which takes into account all stakeholders. Smaller but sustainable profits long-term must be better than higher but riskier short-lived profits. Large profits are always attractive, potentially allowing faster achievement of strategic goals, a greater provision against risk and a greater sense of success and stability. However, there are countless examples in corporate-history of dramatic boom and bust cycles (both on a micro,

corporation level and macro-economic level). Now, more than ever, we need to re-evaluate our endless search for bigger and bigger profits with the bigger and bigger risks that entails. The financial crisis which began in 2008 is painful evidence of that. Whole countries have gone to the brink of bankruptcy as a result of an unwillingness or inability to plan long-term.

More and more organisations are recognising what most owner-run businesses have always known: that stable profits are a better bet in the long run than large profits now and an uncertain future. Even the largest remaining investment banks like Goldman Sachs are having to recognise this (if only to try and fend off more aggressive regulation) and attempting to make their bonus allocations more dependent on longer term value than the current year's performance. One can only hope that the heads of such organisations recognise the importance of business ethics and the resulting need to change to a more sustainable model of growth. Certainly the only way to change the huge, unwieldy vessel that is global business is to focus on the business benefits. While it may seem contradictory and hypocritical to place self-interest at the heart of change for the better, it is the only conclusion that seems to offer hope. Fundamentally the importance of business ethics is driven by personal ethics and morality and most people are fundamentally self-interested. But, if it is in people's best interest to be ethical, this has the potential to drive real change. It is already happening in several consumer markets where demand is shifting to ethical products and social networks are instrumental in spreading stories about unethical practices.

**2. Cost and risk reduction:** Companies which recognise the importance of business ethics will need to spend less protecting themselves from internal and external behavioural risks, especially when supported by sound governance systems and independent research. A precedent which argues the case made above is the Quality Management industry. In the West, this sprung up in the early 1980s, when products began to be inspected before leaving the factory in an attempt to reduce the amount of costly customer complaints. Now, most products come with at least a one year warranty and in the case of some car manufacturers, up to five years. What started off as a self-interested need to reduce costs has led to more reliable products. Just as

widespread bribery and corruption in society are recognised as being inimical to the development of a healthy economy, similarly the lack of a high standard of ethical behaviour in a company is inimical to trust and loyalty, which in turn has a detrimental effect on the health of the company over the longer term.

It may be argued that an owner can run a business in whichever way he or she wishes, and at first glance there would appear to be a case for this so long as no other shareholders are involved, and only his or her money is at risk, and of course with the acquiescence of the employees and trading partners. However, in many years of observing different standards of behaviour in different business circumstances, one recognises the relationship between the perception of ethics which permeates an organisation and the degree of trust and loyalty present among employees and between staff and management. The conclusion one reaches is that loyalty and trust have a significant value in terms of the efficiency and effectiveness with which a business can be run, and the concomitant cost of control systems needed.

In other words, a highly ethical operation is likely to spend much less on protecting itself against fraud and will probably have to spend much less on industrial relations to maintain morale and common purpose. This should be motivation in itself to recognise the importance of business ethics and instill good corporate governance in any organisation.

**3. Core values:** A company's core values are those beliefs and principles that provide the ultimate guide in the company's decision-making. Core values of a company play a very important part in ethical behaviour of a company. In simple terms, core values are set conceptions that you decide to follow in your life or in a business. Core values can be used for living a transparent life and coordinating with other people. Core values are the very significant components of the identity of any business. They are specialised standards set by a company regarding the method of its functioning, decision making, problem solving, and customer service.

**4. Leadership:** It is important for leaders to set the tone by reinforcing a strong ethical culture. The ethical leader understands that cordial relationships germinate and grow in the deep rich soil of fundamental principles: trust, respect, integrity, honesty,

fairness, equity, justice and compassion. Maintaining universal ethical values and being sensitive to the laws and customs of a diverse global customer environment can be a competitive, advantage.

**5. Vigilance:** If there is proper vigilance, ethical environment will be strong. Maintaining vigilance to avoid ethical risks by including a structured risk assessment process, especially in developing markets. Policies and procedures should be periodically reviewed to ensure compliance with current domestic and international laws. With such a framework in place an organisation can help its employees properly handle the pressure to win business and the requirement to conduct business properly.

**6. Culture in the company:** Organisation culture represents the common perception shared by members of an organisation. Individuals with different backgrounds in an organisation altogether have a tendency to describe the organisation culture in almost similar terms. The strength of an organisation culture has an influence on ethical behaviour of managers. If the culture is strong and supports high ethical standards, it should have a very powerful positive influence on a manager's ethical behaviour. In a weak culture managers are more likely to rely on sub cultural norms to guide their behaviour. An effective organisational culture should encourage ethical behaviour and discourage unethical behaviour.

**7. Influence of co-workers and managers:** Coworkers and management team exert significant control the choices at work through authority and example. In fact, the activities and examples set by coworkers, along with rules and policies established by the firm, are critical in gaining consistent ethical compliance in an organisation. If the company fails to provide good examples and direction for appropriate conduct, confusion and conflict will develop and result in the opportunity for misconduct.

**8. Culture in the country:** Culture prevailing in the country also affects business ethics. Individuals in a hard working country (like Japan) will be ethical. On the other hand, in a country where there is rampant corruption, it will have negative influence on ethical behaviour of managers. If the culture is strong in a country, it

should have a very powerful positive influence on a manager's ethical behaviour. In Canada or the United States, for example, it would be inappropriate for a businessperson to bring an elaborately wrapped gift to a prospective client on their first meeting-the gift could be viewed as a bribe. In Japan, however, it is considered impolite not to bring a gift. In Africa or Latin America non-governmental organisations (NGOs), is often a key player within the arena of business ethics. The following table shows the regional differences from a business ethics perspective: the example of Europe, North America, and Asia.

**Table 1: Showing Regional difference from a business ethics perspective: the example of Europe, North America, and Asia**

Query/Continent	Europe	North America	Asia
Who is responsible for ethical conduct in business?	Social control	The individual	Top management
Who is the key actor in business ethics?	Government, trade unions, corporate associations	The corporation	Government, corporations
What are the key guidelines for ethical behaviour?	Negotiated legal framework of business	Corporate codes of ethics	Managerial discretion
What are the key issues in business ethics?	Social issues in organising the framework of business	Misconduct and immorality in single decisions situations	Corporate governance and accountability.
What is the dominant Stakeholder management approach?	Formalised multiple stakeholder approach	Focus on shareholder value	Implicit multiple stakeholder approach, benign managerial ism

**9. Moral values of a person:** Morals are a person's inner and peculiar character. It may be different between even two human beings. An act regarded as wrong by-one-person may be regarded as perfectly by another one. Morals are the faith of a person. One good example is of abortion which is totally legal and allowed in the medical ethics whereas it is against the morality of human kind.

Morals are values which we attribute to a system of beliefs, typically a religious system, but it could be a political system of some other set of beliefs. These values get their authority

from something outside the individual- a higher being or higher authority (e.g. society). In the business world we often find ourselves avoiding framing our ethical choices in moral terms for fear that doing so might prove offensive (lacking in respect or compassion) to some. Many of us find our values are strongly influenced by our sense of morality - right as defined by a higher authority.

**10. Environment in the country:** Economic environment prevailing in a country also has an impact on the business ethics. Ethical differences are often seen in a developed and a Under Developed Country. One of the reasons for this lies in the fact that governments in various African and Latin American countries often are underfunded or even corrupt, and therefore provide limited guidance or legal frameworks for ethical issues.

**11. Formal ethics program:** A survey by the US Ethics Resource Center on attitudes toward and knowledge of ethics and ethics programs indicated that employees' personal ethics improve when their organisation has a comprehensive ethics training program. In addition, the study found that individuals in companies that have ethics training programs believe that their business ethics have improved during the course of their careers.

**12. Tolerance level:** The tolerance level of the higher officers also affects business ethics. Tolerance of small lapses in the beginning may create major ethical lapses in future.

**14. Lapse on the part of professionals:** Unethical professionals make a compromise with the dignity of their profession and alter company financial records and man oeuvre numbers to paint false pictures of company successes.

**15. Anti-capitalist sentiment:** The financial crisis marked another blow for the credibility of capitalism, with resentment towards bank bailouts at the cost of fundamental rights such as education and healthcare. The eye-watering profits of some of the world's largest corporations attract a lot of negative sentiment from those outside the world of business and finance. While clearly a result of the scale of these organisations, there is always a suspicion that these profits have been achieved through not entirely ethical means - and in some cases downright unethical

means, often resulting in major public failures. Banks in particular receive a lot of bad publicity over profits and executive pay (especially bonuses), and while not always justified, the fact is, an industry at the centre of the credit crunch and resulting economic and financial crisis continued to produce hefty profits and bonuses even while making large numbers redundant. This is, of course, a huge generalisation and simplification of the issue but it is the natural reaction of the general public, who lack such detailed information and understanding. Public sentiment cannot be ignored. This situation makes the importance of business ethics all the more pressing in the 21st century.

**15. Limited resources:** The planet has finite resources but a growing population; without ethics, those resources are depleted for purely individual gain at huge cost both to current and future generations. One irrefutable fact is that this planet has limited resources. Probably the biggest failure in human development over the last three hundred years has been in recognising that and attempting to minimise use and maximise re-use and recycling. While there are now global initiatives to try and reverse this trend, and much progress has been made, there is still a long way to go. In the major developing economies, especially, history is repeating itself on a massive scale. With notable exceptions, this applies not only to specific environmental and sustainability issues but to corporate governance generally and the importance of business ethics to the new high growth regions and corporations. This is another example of short-termism prevailing over long-term vision and preservation of limited resources for future generations - and in some cases the same generation, as in deforestation driving native peoples and animal species to the point of extinction. Just as Basic financial management requires planning to ensure capital reserves and so solvency, the same principles should clearly apply to the extraction and usage of natural resources.

#### **1.4 PRINCIPLES OF BUSINESS ETHICS**

The Principles of business ethics developed by well known authorities like Cantt, J. S. Mill, Herbert Spencer, Plato, Thomas Garret, Woodrad, Wilson etc are as follows-

1. **Sacredness of means and ends:** The first and most important principles of business ethics emphasise that the means and techniques adopted to serve the business ends must be sacred and pure. It means that a good end cannot be attained with wrong means, even if it is beneficial to the society.
2. **Not to do any evil:** It is unethical to do a major evil to another or to oneself, whether this evil is a means or an end.
3. **Principle of proportionality:** This principle suggests that one should make proper judgment before doing anything so that others do not suffer from any loss or risk of evils by the conducts of business.
4. **Non co-operation in evils:** It clearly points out that a business should with any one for doing any evil acts.
5. **Co-operation with others:** This principles state that business should help others only in that condition when other deserves for help.
6. **Publicity:** According to W. Wilson, anything that is being done or to be done, should be brought to the knowledge of everyone. If everyone knows, none gets opportunities to do an unethical act.
7. **Equivalent price:** According to W. Wilson, the people are entitled to get goods equivalent to the value of money that he will pay.
8. **Universal values:** According to this principle the conduct of business should be done on the basis of universal values.
9. **Human dignity:** As per this principle, man should not be treated as a factor of production and human dignity should be maintained.
10. **Non violence:** If business hurts the interest and rights of the society and exploits the consumer by overlooking their interests this is equivalent and unethical act.

## 1.5 ETHICAL VALUES FOR SUCCESS IN BUSINESS

Success in business depends not only on the way that the objectives are established and achieved, but also on the manner in which values and moral practices are cultivated which encouraged honesty, correctness, responsibility of each employee. Without cultivating the environment to create and respect values, a company will be faced with challenges like bribe, corruption, deceit, favoritism etc. Strong companies do not exclusive relay on rational instruments of scientific management (strategy, system, structure) for obtaining performance. They promote values like honesty, correctness, trust on all levels of their activity. These values are cultivated at the level of the entire organisation and permit making a unique vision for achieving the major objective. A high level of trust among employees towards ethical values promoted by company's management is very much necessary.

If an organisation values profit, productivity and quality it will prefer to operate in a way that prioritises action and behaviour that reflects those values. Another organisation that values innovation, research and learning will prefer to operate in a way that prioritises action and behaviour that reflects those values. For either organisation, if the values that are influencing daily behaviour and actions are not aligned with the strategies then their performance and results will suffer. For success in business the following points should be considered.

**1. Ethical values for Indian managers:** Indian managers are moving away from the concept of values and ethics. The lure for maximizing profit is deviating them from the value based. There is a need for our managers today both in private and public sectors to develop a set of values and believes that will help them attain the ultimate goals of profits and survival growth. They need to develop the following values: Optimum utilization of resources; Attitude towards work- Managers have to develop the visionary perspective in their work. They have to develop a sense of larger vision in their work for the common good; Work commitment; and Vision- Managers have a long term vision. The visionary managers must be practical, dynamic and capable of translating dreams into reality. The managers of Indian companies should also develop the following values:

- Move from the state of inertia to the state of righteous action.

- Move from the state of faithlessness to the state of faith and self confidence.
- Move from unethical actions to ethical actions.
- Move from untruth to truth.

**2. Ethical values for western managers:** Western managers are highly professionals with excellent analysis power, high professional education and specialisation. Western managers follow a proper code of conduct and work in the structured formal atmosphere with no place of modesty in their behaviour. Professional efficiency and work disciplines are the conditions under which western managers perform. They consider rules as sacred in their value system. Western value system teaches contractual obligations. Managers honor their contracts. Western managers value principles above its privilege and they consider this as the best strategy to win.

Remember that for making your business stand in the competitive market and leading it to success; you should create core values that would speak out in accordance with the quality of services you provide.

**3. Ethics for senior management:** Top Management has the responsibility to create a work environment that helps an organisation in maintaining ethical business relationships while achieving its primary objectives. Ethics should be the top most priority for all members of the senior management of the company management in all of their dealings on behalf of or with the Company.

Environmentalism is at first a concern of top management since its principles must be adopted at corporate level, as policy, before an organisation can properly adopt them throughout. Top Management has always been expected by staff, investors and all other stakeholders to maintain high ethical standards. Top Management must ensure that the company conducts business in full compliance with all applicable laws of the land. The company must deal fairly with suppliers, customers, business partners and others with integrity and, honesty. The old saying "Yatha Raja Tatha Praja" meaning thereby that the conduct below is the reflection of the conduct of the ruler, must be remembered and therefore the Top Management should try to set examples by

differentiating values from disvalues.

Top Management must act as per professional ethics depending on their position and training. Fiduciary duty is an example that applies to some managerial roles. The compliance and ethics program should strive to deliver tangible benefits and outcomes to the organisation. First, managers are responsible for upholding ethical standards themselves. Additionally, managers may be responsible for creating and/or implementing changes to the ethical conduct of the organisation.

**4. Ethical duties towards business partners:** As far as selection of business partner is concerned, only a trustworthy partner practising Good Personal and Business Ethics and having good reputation in the market place should be selected. A poorly chosen business partner may end up hijacking your innovative ideas or valuable clients to start their own business in the same line of business, or breaking laws that could get your company into legal trouble.

A company must appreciate that it is supported in the business activities by their business partners. There may exist companies making short-term revenues by cheating their business partners, but in the long run this will certainly turn against the company. Therefore the companies must work with these partners for mutual gains. It becomes first and foremost duty of a company to act in the utmost good faith while dealing with the business partners. A company should build fair and equitable partnerships with business partners and keep the following points in mind:

- The company must obey Legal Compliance issues regarding partnership.
- It should promote fair and equitable procurement activities that comply with each country's laws and respect international standards or conduct.
- The business partner should be provided with an opportunity for equitable competition.
- Every possible effort must be made to have better co-operation and co-ordination with Business Partners.
- Along with educating its own staff, the company should hold briefings for

their major business partners viz. raw materials suppliers, manufacturing licensees, and distributors/suppliers and conduct surveys among them regarding relevant issues.

- A company must receive Feedback from Business Partners and on the basis of this feedback, it must improve in the areas where there is a need and scope for improvement.
- Apart from daily interactions with business partners, the company should hold regular dialogues with their business partners at briefing sessions, conferences and quality workshops.
- The company must prefer Safe and Eco-friendly distribution. The companies well versed in a particular field safety issues, may guide them and help them in enhancing Safety at their premises.
- Like a good friend, a company should help their business partners in case of emergencies and adverse business circumstances. The old saying, a friend in need is a friend indeed must be practised by the company in true spirit.

**5. Ethical duties towards competitors:** A company must keep in mind that its competitors are just the competitors. However, company's behaviour towards them may affect company's own customers. Company's behaviour towards them will show company's ethics. Each and every step by the company will be watched by the media and consumer bodies. That is why it is suggested that competitors should be tackled very carefully. Companies should try to develop a good relationship with competitors. When customers see you have strong ethics in dealing with your competitors, they will really honour you and it will be in the long term interest of the company. The following aspects must be adopted while dealing with the competitors:

- **Don't be jealous of their Success:** When a competitor performs well, the company should congratulate them and should not be jealous of their success. But it is also important that the company must introspect itself and find out the major points of deviations. Recognising others success how strong ethics followed by the company and will certainly have a positive impact on the mind of prospective customers.

➤ **Co-operation along with Competition:** A company should not mind giving a small portion of its not so successful business to a competitor whom the company thinks is in a better position to serve customers of that area. In this way, your image in the eyes of customer will improve and in future, the competitors may also do the same for you .resulting in a win-win situation for both the parties.

➤ **Evolve Fair Competitive Strategies:** The companies should not blindly criticise the competitors, rather it should inform the prospective customers about positive and negative points of competitors' products. Even when the competitors' services are far from satisfactory, the company should act tactfully towards competitors while addressing as well as attracting the prospective customers. The company should provide facts and figures from media coverage that justify its point. While discussing competitors' products negative issues, the company should also appreciate their problems. It will demonstrate strong ethics of your company.

➤ **No Tit for Tat Policy:** When a company comes to know about something insulting and unethical said by a competitor, it must behave in a cool and calm manner. A well developed strategy must be used to give the competitor an answer while remaining within four walls of ethical considerations. By directly adopting tit for tat policy, the public image and reputation of the company will be adversely affected to a large extent. It must be noticed that if the competition is fair, it meets the requirements of high ethics, and then it will be one of the fundamental sources of economic development.

**6. Ethical issues regarding global business:** As a result of globalization cross-border exchange of goods, services, capital, technology, ideas, information and people has taken place. Now as a result of globalisation, the world has become a global village. The following are the major ethical issues in the context of global economy:

➤ A code of ethics in the light of prevailing environment in the host country must be developed and this code of ethics must be made clear to all concerned with the company.

➤ A global company should not adopt malpractices like corruption, bribery,

misrepresentation, and tax evasion etc. All the staff members must be sensitized about the hard penal provisions for indulging in unethical business conduct.

- All the responsible officer must be made familiar with governmental rules and regulations applicable to the industry in the country in which the MNC operate.
- Everyone in the MNC must be instructed to comply with federal, state and local laws.
- In a similar way, they must be made aware of the local culture, and everyone in the MNCs must be instructed to respect the tradition and culture of the host country.
- It must try to transfer the best ethical practices learnt from one country to all the other MNCs operating in a group. It must collaborate with local people to improve understanding of the expectations of the local residents from the company, and in this way chalk out the strategies to help less advantaged people.
- The MNC must follow the guidelines of various international agreements and it must follow general principles for business practice framed by various international organisations like OECD, ILO etc.
- MNC managers must try to protect the environment of the host country in the long run. In order to tackle the problem of scarcity of natural resources in the host country, they must look for alternate raw materials. They should try to devise new methods of recycling or disposing of used materials and expanding the use of by-products.

**7. Ethics in financial markets:** This can be defined as the general action that the financial markets adhere to in the daily conduct of business. It affects how the financial markets deals with the investors. Companies raise money from the investors through the mechanism of financial markets. That is why, an ethical behaviour on the part of companies

is needed. While working through the financial markets, the companies must maintain honesty, be fair and human and must set an example as far as ethical considerations are concerned.

Financial Markets worldwide have shown increased connectivity and interdependence due to improvement in the information communication technology, internet and electronic banking. Increased proliferation of the multinational corporations has resulted into the liberalization, extension and internationalization of the financial markets worldwide. Now capital inflows from the wealthier parts of the globe can be expected promoting savings investments and employment. But liberalization of financial markets has raised a number of ethical issues as well. The unethical practices like corruption have also increased manifold. As a result of global financial liberalisation, poor nations will be forced to open their markets to financial corporations that will offer undue competition to their local firms and create financial crisis. Financial market instability in the global world poses the greatest danger to developing countries than to the developed countries. There is an urgent need for a global code of ethics to rectify the structural inequalities which may be created by transnational financial institutions planning to operate globally.

## **1.6 ETHICAL PROBLEMS FACED BY MANAGERS**

The ethical problems faced by managers can be divided into two categories:

1. In various departments
2. In General

### **1. Ethical Problems Faced by Managers in Various Departments:**

Basically, all the activities of a company are performed by five departments viz. Production, Marketing, Finance, Personnel and Research & Development. The following are the major ethical issues involved in each of the department.

**(i) Production department:** Major concerns are procuring raw material in best possible way and no hoarding should be made the factory where production is being

made is located at a place having no/minimum adverse impact on local community try its best to control environmental pollution.

**(ii) Marketing department:** Giving fair treatment to customers. Truthful and realistic claims to be made in advertising.

**(iii) Finance:** Protection of the interest of investors and trying our best for appreciation of investor's capital.

**(iv) Personnel:** No discrimination with the workers and just and equitable treatment to all employees without any favouritism.

**(v) R&D:** Making all R& D efforts in an environment friendly way and to have a human touch while testing the results of R&D, especially drugs etc.

## **2. In General**

**(i) Privacy:** Privacy is always a delicate matter for an HR manager. Though a company culture may be friendly and open and encourage employees to freely discuss personal details and lifestyles, the HR manager has an ethical obligation to keep such matters confidential. This particularly comes into play when the competing company calls for a reference on an employee. To remain ethical managers must stick to the job-related details and leave out knowledge of an employee's personal life.

**(ii) Compensation and skills:** HR managers can recommend compensation. While these recommendations may be based on a salary range for each: position, ethical dilemmas arise when it comes to compensating employees differently for the same skills. For example, a highly sought-after executive may be able to negotiate a higher salary than someone who has been with the company for several years. This can become an ethical problem when the lower-paid employee learns of the discrepancy and questions whether it is based on characteristics such as gender and race.

**(iii) Employee behaviour:** From large corporations to small businesses, individuals involved in all types of business often face ethical issues stemming from employee behaviour. For example, whether an employee can spend work time checking personal email accounts, how a manager deals with claims of harassment

and to what extent a manager can "groom" a certain employee for a promotion are all examples of ethical issues regarding employee behaviour. There are legal consequences for some unethical employee behaviour. For example, if a supervisor discriminated against an employee based on her gender, religion or ethnicity when making recommendations for a promotion, legal action could be sought. Small business owners can help to prevent ethical problems stemming from employee behaviour by drafting a clear, attorney-reviewed set of standards that dictate behaviour policies for employees at all levels.

**(iv) Employees working condition:** An addition to employee behaviour, there are a number of ethical issues business people must consider about employee working conditions. For example, employers must be aware of the safety of their work environment and if they have compensated employees for all the time they have worked. They must also consider if they have required an employee to work an unreasonably long period of time or if they have him doing an unusually difficult task. Just like there are legal consequences for some unethical issues regarding employee behaviour, there are also legal consequences for unethical working conditions. For example, an employer who requires an employee to work without pay or who creates an unsafe working environment can face legal action.

**(v) Supplier/customer relations:** In addition employees and business owners must consider the ethical issues involved with their relationships between suppliers and customers. Business owners in particular must consider whether it is ethical to do business with suppliers who have unethical practices. When dealing with customers or clients, business people must ensure that they use their information correctly, do not falsely advertise a product or service, and do not intentionally do sub-standard work.

**(vi) Small business ethics:** Although there are ethical issues like discrimination that apply to all areas of business, each business area has its own ethical concerns. For example, business people who act as consultants must ensure they are giving sound advice. In the area of small business, some major ethical issues result from hiring, firing and dealing with employees. For example, conflicts of interest may cause ethical issues in small businesses, especially if they are family run. When

personal family issues interfere with business decisions, this is a conflict of interest and an ethical concern.

### **1.7 ARGUMENTS AGAINST BUSINESS ETHICS**

Some people object to the entire notion that ethical standards should be brought into business organisations. According to these, the following are the general objections against business ethics.

1. People's ethical values are set during childhood, in their families, and little can be done after that. The managers are not in a position to change the habits of their subordinates by way of orders/instructions. Habits acquired in the childhood die hard. A good person generally remains a good person throughout his life unless some extremely bad experience is there. Moreover it is not company's duty to make their employees ethical.

2. The pursuit of profit in perfectly competitive free markets will, by itself, ensure that the members of a society are served in the most socially beneficial ways. Even more, there are several ways of increasing profits that will actually harm society. Producing what the buying public wants may not be the same as producing what the entirety of society needs. Thus, although the argument tries to show that ethics does not matter, it can" do this only by assuming an unapproved moral standard that at least appears mistaken.

3. Another main argument is that the ethical company cannot be competitive and viable. In the modern era, how can one pay the right taxes and remain competitive if their competitors are under-declaring their incomes and gaining a lot.

4. Managers are loyal agents and they should pursue the interests of their firms and should ignore ethical considerations. Employees have a duty to serve their employers single-mindedly. The manager has a duty to serve his or her employer as , the employer would want to be served (to promote self-interests). Therefore, the manager has a duty to serve his or her employer in whatever ways will advance the employer's self-interests. But the conflicting view is also there, even in employment agreements, there is no clause to justify doing wrong on another's behalf.

5. It is sufficient if business firms obey law. Obeying the law is sufficient for businesses and that business ethics is, essentially, nothing more than obeying the law.

### **1.7.1 PREVENTING UNETHICAL PRACTICES IN ORGANISATIONS**

Addressing unethical behaviour and practices is essential to maintain an ethical climate in an organisation. An appeal process must be in place so that any unethical practice can be brought into light. Ethical or unethical behaviour of individual employees is influenced in the workplace both by their own moral development and the influence that the organisation culture exerts on them. They are influenced by a group of forces that surround them such as their peers, their supervisors, and superiors, the reward system, group norms, company values and policies and the manner of their implementation. Ethical behaviour can be developed and managed in a number of ways. The pivotal role to manage and develop ethical behaviour among employees lies with the Top Management of an organisation. Incorporation of ethical norms and conduct into all levels of the organisation can be done in the following ways.

- Codes of corporate ethics must be formulated so that employees are aware of the organisation's expectations regarding ethical norms and conduct.
- An appeal process must be in place so that any unethical practice can be brought into light. Whistleblower must be protected and rewarded in the company.
- Seminars on business ethics should be conducted for employees. This will help them in understanding the importance of ethical work culture.
- Compliance officers must be appointed to keep a check on fraud, corruption, and abuse within the organisation.
- Performance management system of the organisation must be modified to incorporate ethical behaviour as a parameter for appraisal and, rewards.

Business houses that comply with ethics to determine their conduct are shrinking in number. The lack of business ethics in the market is a big reason to worry. Organisations now recognize the positive effects and outcomes of being ethical, humane and considerate. They have a competitive edge in the market, because of the honesty they show in their services. Their morally upright reputation attracts better staff and helps in retention. Though ethics are legally binding in most cases, self-monitoring, transparency and accountability will go a long way in establishing trust of the people. Besides this, it makes sense to change, before you are penalised.

## **1.8 ETHICAL THEORIES**

Theories of business ethics enable a business to do activities which are considered to be desirable and right and avoid various undesirable and wrong activities. In fact, various theories of business ethics have been divided into two major categories. These are:

**1. Teleological Theories:** The word teleological is based on term, teleology which is derived from the Greek word, telos which means goal or end purpose. A theory is regarded as teleological when the actions finally bring about happiness (No Harm No Foul). This theory is also considered as Consequentiality theory. The main theories covered under it are utilitarian, universalism, theory of justice and virtue theory.

**2. Deontological Theories:** The word deontology is based on the Greek word, Deon which means duty. This theory says that when people adhere to their obligations, their acts are regarded as ethically right. But the main drawback of this theory is that sometimes even the duties of a person may conflict. Theory of right and theory of duty are covered under it.

A brief description of various theories covered under Teleological and Deontological aspects are as under:

### **(a) Utilitarianism**

This approach was developed by Jeremy Bentham (1748-1832) and John Stuart Mill (1806-1873). It is based on the greatest happiness principle. According to the utilitarian view, the decision that produces the greatest good for the greatest number

of people is the best. The business managers should choose the course of action that provides the maximum benefits, or conversely, the course of action that does the least harm, to stakeholders.

It suggests that the morality of an act is determined by its consequences, because of this reason it is also sometimes known as consequential principle also. According to this theory people should select that option which provides the greatest utility (the highest degree of satisfaction) to the greatest number affected by a given situation. Here it is believed that actions are right if they are useful to a majority of people. The main concentration is on the consequences of actions, and not on how these consequences are being achieved. Here results are more important than the means adopted to get those results. It is really a theory of balancing which aims at resolving ethical dilemmas by having maximum benefit to majority of affected people.

### **Forms of Utilitarianism**

According to David Lyons, there are two forms of utilitarianism defined as under:

**1. Act-Utilitarian:** It denotes that an action is justified if it provides the maximum benefits , or conversely the course of action that does the least harm, to stakeholders.

**2. Rule-Utilitarian:** It denotes that an action is justified if it confirms to a set of rules the general acceptance of which would provide the maximum benefits, or conversely, the course of action that does the least harm, to stakeholders.

### **Strengths' of this theory:**

The following are the major strengths of this theory:

1. In this theory, it is believed that actions are right if they are useful to a majority of people. That is because of its simple premise, it is most commonly applied ethical theory.

2. In this theory, the worth of each action is judged primarily on its own merits.

### **Main Points of Criticism of this theory:**

The following are the major criticisms of this theory:

1. The notion of utility is very vague. It is very difficult to accurately determine what the maximal utility would be for all affected by a situation. Hence, utility, the very foundation of this theory is not quantifiable and cannot be compared on measurable scale.
2. There are doubts regarding what is the 'majority'. Sometimes its action may benefit the majority at the cost of exploitation of the minority.
3. Utilitarian approach may sometimes result in unethical and immoral choices as it judges morality by the results only, and not by the means.
4. It is very much difficult to foresee the consequences with accuracy.
5. The ethical dilemma for managers is to measure the benefits and harms that will be done to each stakeholder group.

### **(b) Concept of Universalism**

Universalism refers to religious, theological, and philosophical concepts with universal application or applicability. Universalism is a term used to identify, particular doctrines considering all people in their formation.

### **(c) Theory of Justice**

The main proponent of the theory of justice is John Rawls (1921-2002), a contemporary Philosopher. Rawls' most famous work, A Theory of Justice (1971), provides an introduction to this body of thought as well as some of its implications for ethics. He focused upon justice because of its substantive importance for organizing and governing society. According to him, justice is the first virtue of social institutions, as truth is of systems of thought. There are basically two theories of defining justice- Merit Theory and Need theory.

1. According to "merit theory" of justice, each individual must be treated exactly as one deserves. He will be rewarded or punished on the basis of merit of his conduct

whether it was useful or harmful to society.

2. The "need theory" of justice, which assumes that individual members of society should help those other members who are most in need so as to redress their disadvantages. In this view, "doing good" dictates that every member of society recognise that need entitles the most disadvantaged to some sort of special consideration and that the more advantaged must compensate the disadvantaged with the goal of bringing them up to an acceptable level of advantage.

In simple parlance, justice means to give what is one's due. It must be noted that dignity of each and every person should be respected. Every individual should be treated in a fair or appropriate manner. For ensuring it, even government intervention is legitimate. Disputes among individuals in business are often interlaced with references to justice or fairness. Resolving disputes requires that we compare and weigh the conflicting claims of each of the parties and strike a balance between them. Justice and fairness are essentially comparative. They are concerned with the comparative treatment given to the members of a group when benefits and burdens are distributed, when rules and laws are administered, when members of a group cooperate or compete with each other, and when people are punished for the wrongs they have done or compensated for the wrongs they have suffered. Standards of justice are generally taken to be more important than utilitarian considerations. If a society is unjust to some of its members, then we normally condemn that society, even if the injustices secure more utilitarian benefits for everyone. If we think that slavery is unjust, for example, then we condemn a society that uses slavery even if slavery makes that society more productive. Greater benefits for some cannot justify injustices for others. Nonetheless, we also seem to hold that if the social gains are sufficiently large, a certain level of injustice may legitimately be tolerated. In countries with extreme deprivation and poverty, for example, we seem to hold that some degree of equality may be traded off for major economic gains that leave everyone better off. The principle "equal pay for equal work" is also based on Rawls' theory of justice.

Standards of justice do not generally override the moral rights of individuals because justice itself is based on individual moral rights. The moral right to treat each and every

person in an equal way is the basic idea behind theory of justice. It must be remembered that generally moral rights of some individuals cannot be sacrificed merely in order to secure, a somewhat better distribution of benefits for others. However, correcting extreme injustices may justify restricting some individuals' rights.

### **The Concept of Original Position and Veil of Ignorance**

According to Rawls, cooperation among members of society is very much necessary to make life better. Rawls believes that desires of the members of society may be considered, as primary social goods, which include among others: health, rights, income, and the social bases of self-respect. Rawls further remarks that the members of the society will often times disagree about what constitutes the good and how the benefits and burdens within society will be distributed. Some believe that the good consists in virtuous conduct while others may believe that the good is discovered in the pursuit of individual happiness. As far as distribution is concerned, some members may believe that an individual's merit should determine how one will participate in society's benefits while others may believe that society must provide the least advantaged extra assistance so that they will be able to share equally in society's benefits. If society is to exist and to endure despite these and other such differences, its members must derive a consensus regarding what minimally constitutes the good.

What consensus requires in actual practice is that the members of society agree upon the rules which will govern them as a society and that these rules will be applied consistently. But the important questions arise: what constitutes a "fair" principle? What is "reasonable" for every member to agree with?

Rawls responded to this challenge by invoking the original position. He has used a thought experiment called "the original position" from which agents behind a "veil of ignorance" select principles of justice to govern society in which representative members of a society would determine the answers to these difficult questions. The chief task of these representatives would not be to project individual rights but to promote the welfare of society. The representatives do not know which place in society they will occupy. In fact, every factor which might bias a decision (e.g., one's tastes,

preferences, talents, handicaps, conception of the good) is kept away from the representatives. However, they possess knowledge of those factors which will not bias one's decision (e.g., social knowledge, scientific knowledge of the issue etc). From this original position covered by a veil of ignorance about, their place in society, Rawls argued the representatives ultimately would select the principle of justice rather than other principles (e.g. natural law, utilitarian principles) to organize, and govern society in a rational way.

Rawls argued that this is precisely what would occur in the original position when the representatives operated from behind the veil of ignorance. Freed from focusing upon one's self-interest to the exclusion of others' self-interests, the society which the representatives would design determines what will happen to its members and how important social matters like education, health care, welfare, and job opportunities will be distributed throughout society. The idea is that the representatives operating from behind the veil of ignorance would design a society that is fair and acceptable to all of its members because no individual member would be willing to risk ending up in an intolerable position that one had created for others but had no intention of being in oneself.

Rawls claimed that the representatives to the original position would invoke the principle of rational choice. He supports it with a wonderful example, suppose there is one piece of cake that two persons want to eat. They equally desire to eat the cake and each wants the biggest piece possible. To deal with this dilemma, both agree that one will cut the cake while the other will choose one of the two pieces. The consensus derived guarantees that the cake will be shared fairly, equating justice with fairness. The reason the representatives in the original position and operating from behind the veil of ignorance would agree upon the difference principle is not due to the existence of a social contract but mainly due to ethical considerations.

### **Classification of Justice:**

Issues involving questions of justice and fairness have been divided into following three categories.

**1. Distributive justice:** It is the first and basic category. It is concerned with the

fair distribution of society's benefits and burdens among its members. Generally different people put forth conflicting claims on society's benefits and burdens and all the claims cannot be satisfied. The claims may relate to issues such as jobs, food, housing, medical care, income, and wealth etc. where a number of participants are there. On the other hand, there may be some areas say unpleasant work, drudgery, substandard housing, health injuries of various sorts, here not enough people will be willing to help. If there were enough goods to satisfy everyone's desires and enough people willing to share society's burdens, then conflicts between people would not arise and distributive justice would not be needed. The real problem arises when people's desires exceed the adequacy of their resources. Then principles for allocating scarce benefits and undesirable burdens in a just and equitable ways are needed to be developed. The fundamental principle of distributive justice is that, equals should be treated equally and unequal treated unequally. Another opinion put forward is that a society's benefits should be distributed in proportion to what each individual contributes to a society and/or to a group.

**2. Retributive justice:** It is concerned with just imposition of punishments and penalties on those who do wrong: A just penalty is one that in some sense is deserved by the person who does wrong. It must be noted that a wrongdoer must be punished only under the valid conditions under which it is just to punish a person him for doing wrong. Penalising anybody on the basis of flimsy or incomplete evidence will surely be a case of injustice. Another point to be kept in mind is that the punishment must be consistent and proportioned to the degree of offence wrong. Punishment will be considered just and consistent only when everyone is given the same penalty for the same wrong/offence.

**3. Compensatory justice:** Compensatory justice concerns the justice of restoring to a person what the person lost when wronged by someone else. When one person wrongfully harms the interests of another person, the wrong doer has a moral duty to provide some form of restitution to the aggrieved person. A just compensation is one that in some sense is proportional to the loss suffered by the person being compensated. There are no hard and fast rules for determining how much compensation a wrong doer owes the victim. Justice requires that the wrong doer should restore whatever was

taken from the victim. The main conditions involved in this case are: the action that inflicted the injury was really wrong, the wrongdoers action was the real cause of the injury and he inflicted the injury voluntarily.

### **Principles Governing Justice:**

Rawls argued that two principles serve to organize society, the liberty principle and the difference principle. The liberty principle and the difference principle apply to the basic structure of society i.e. society's fundamental political and economic arrangements rather than to particular conduct by governmental officials or individual laws. The brief details of these principles are as under:

**1. The Liberty Principle:** The liberty principle requires society to provide each citizen with a fully adequate scheme of basic liberties. It states that every persons' basic liberties must be protected from interferences by others. Moreover, each member of society must be entitled to an equal right of liberties available to others. The liberties include:

- Political liberty (the right to vote and to be eligible for public office).
- Freedom of speech and assembly.
- Right to live and right to personal privacy.
- Freedom of conscience and freedom of thought.
- Rule of law to get protection.

**2. The Difference Principle:** The difference principle requires that inequalities in wealth and social position be arranged so as to benefit society' least advantaged group. All possible steps must be taken to improve the conditions of least advantaged section of society in order to maintain justice, fairness and welfare.

### **In Case of Conflict between Two Principles:**

According to Rawls, in case of a conflict between these two principles, the liberty principle must always take precedence over the difference principle because society cannot justify a decrease in liberty by increasing any member's social and economic

advantage.

### **CRITICISM OF THEORY OF JUSTICE:**

The theory of justice has been criticised by a number of thinkers on the following grounds:

1. The theory has been criticised on which members of society constitute the "least advantaged"? Rawls definition has ignored the truly least advantaged members of society, namely, those citizens of some permanently unemployed underclass, who depend entirely upon government aid and welfare measures to subsist.

2. Rawls over emphasis on primary social goods has been criticised by a number of modern thinkers.

3. Rawls concept of original position and the veil of ignorance to elaborate the theory of justice are not acceptable to all. MacLagan is of the opinion that the parties who are not in the original position and who are not operating from behind a veil of ignorance. Can also move forward adjudicate their differences amicably and for the benefit of both. The best example here is that of collective bargaining.

4. Rawls' states that inequalities are permissible but only if they better the lot of the least advantaged members of society. Whereas in original position Rawls claim that, the representatives to the original position must not take an interest in anyone's particular interests, it is really contradictory.

5. Rawls has neglected to consider the market forces unleashed in a capitalist society where seeking one's self-interest is arguably the primary motivating principle. Critics argue that even the least advantaged, if they so chosen can take advantage of the minimal benefits society offer them by virtue of citizenship.

6. The difference in earnings of individuals may be due to their qualifications, experience and personality factors. There is no justification in it that everybody earning more should distribute his/her hard earned money among the needy and underprivileged.

### **Further Developments**

Keeping in mind the criticisms, Rawls modified the principles of liberty and difference. Rawls considered how a society ordered by the two principles of liberty and difference might endure. In *Political Liberalism* (1996), Rawls introduced the idea that stability can be found in an overlapping consensus between citizens who hold diverse religious and philosophical views or conceptions about what constitutes the good to be sought. In *Justice as Fairness* (2001), Rawls introduced the idea of public reason, that is, the reason possessed by all citizens which contributes to social stability.

### **Concluding Remarks:**

The theory of justice is broad as well as rational. The rights secured by justice are not subject to political bargaining. Rawls maintained that inequalities in society can only be justified if they produce increased benefits for the entire society. His concern towards least advantaged members of society is really praiseworthy. The principle of equal pay for equal work is based on the theory of justice. All must be treated in an equal way and no special treatment should be given to anyone in violation of theory of justice. In addition, every member of the society must be given opportunity to pursue their choice so that he may give his whole hearted contribution towards the betterment of the society.

### **(d) Virtue Ethics:**

The word Virtue has been translated from the Greek word Arete which means to be the best at something one can be. Virtue is a quality of an individual and expressed in his behaviour. Good virtues like honesty, integrity and courage etc are really helpful in ethical behaviour. Virtues are really embedded in the personality of an individual, and are not the forced one and it is not a one time affair. For example, all of us know that honesty is a virtue of a person, but we will say an individual honest if he act in an honest way as a general practice, we will not call an individual honest if he act in an honest way once in a year or if he is forced to be honest in a particular case. In other words, virtue ethics is concerned with the whole of a person's life, rather than particular episode. According to Socrates, knowledge is equal to virtue and virtue is equal to happiness. Plato discussed four key virtues: wisdom, courage,

temperance and justice. The first systematic description of virtue ethics was written down by Aristotle in 350 BC and it was dedicated by him to his son Nicomachus. According to him, there are two types of virtues viz. Intellectual virtues and Moral virtues. He further says that when people acquire good habits of character, they are better able to regulate their emotions and their reason. It helps in reach morally correct decisions even when we are faced with difficult choices. Even various religions of the world provide a mention of these virtues. For example, in Hinduism, the following virtues have been enshrined:

1. Honesty.
2. Universality.
3. Peace
4. Non-Violence.
5. Reverence.
6. Altruism.
7. Restraint.

#### **BENJAMIN FRANKLIN'S LIST OF VIRTUES:**

Benjamin Franklin, one of the greatest citizens and thinkers the world has given the following list of virtues:

- 1. Temperance** - Eat not to dullness; drink not to elation.
- 2. Silence** - Speak not but what may benefit others or yourself; avoid trifling conversation.
- 3. Order** - Let all your things have their places; let each part of your business have its time.
- 4. Revolution** - Resolve to perform what you ought; perform without fail what you resolve.
- 5. Frugality** - Make no expense but to do good to others or yourself; that is, wast nothing.
- 6. Industry** - Lose no time; be always employed in something useful; cut off all unnecessary actions.
- 7. Sincerity** - Use no hurtful deceit; think innocently and justly; speak accordingly.

8. **Justice** - Wrong none by doing injuries; or omitting the benefits of your duty.
9. **Moderation** - Avoid extremes; forbear resenting injuries so much as you think they deserve.
10. **Cleanliness** - Tolerate no uncleanliness in body, clothes, or habitation.
11. **Tranquility** - Be not disturbed at trifles or at accidents common or unavoidable.
12. **Chastity** - Rarely use venery but for health or offspring, never to dullness, weakness, or the injury of your own or another's peace or reputation.

### **Major Elements of Virtue Ethics Theory:**

The following are the major elements of virtue ethics theory:

**1. Eudaimonism:** This is mainly an agent focussed theory. Eudaimonia means happiness and fulfilment. Aristotle is of the opinion that all the things that are ends in themselves also contribute to a wider end, an end that is the greatest good of all. He further says that the good man is the man who reasons well. This is the life of excellence. Eudaimonia is the life of virtue-activity in accordance with reason, man's highest function. Rosalind Hursthouse has further developed eudaimonist virtue ethics. It claims that the good life for an individual is the life of virtue and therefore it is in the interest of an individual to be virtuous.

**2. Agent Based Theory:** Agent based theory was developed by Michael Slote. This theory concentrates that virtues are mainly determined by common sense intuitions which we find admirable & and which are often there in the traits of other people whom we really admire.

**3. Ethics of Care:** Annette Baier has contributed a lot towards this theory. This theory states that while performing our duty we should not only consider justice and autonomy but also other factors like taking care of others, having patience, having ability to nurture and making self-sacrifice etc.

### **Importance of Virtue Ethics:**

Virtue ethics is relevant and important for business world. It emphasises on the whole life of an individual and not any particular episode of his life. Virtue ethics

really play an important contribution in our understanding of morality because they emphasize the central role played by motives in moral questions. To act from virtue is to act from some particular-motivation; thus to say that certain virtues are necessary for correct moral decisions is to say that correct moral decisions require correct motives. Virtue Ethics claims that a virtuous-person is most likely to make correct moral decisions.

**Key Questions of Virtue Ethical Systems:** In fact, the following are the various key questions that virtue ethical systems ask :

- What kind of person do I want to be?
- What virtues are characteristic of the person I want to be?
- What actions will cultivate the virtues I want to possess?
- What actions will be characteristic of the sort of person I want to be?

**Objections against Virtue Ethics:**

The following are the major objections against the virtue ethics theory:

1. Virtue Ethics theory provides a self-centred conception of ethics.
2. Virtue ethics is person rather than action based. One person's virtue may be another person's vice and a vice in one set of circumstances may be a virtue in another.
3. Virtue ethics theory does not take into account that ability to cultivate the right virtues is affected by a number of different factors beyond a person's control due to educational background, society, friends and family values.
4. Virtue ethics does provide general guidance on how to be a good person but it doesn't provide clear guidance on what to do in moral dilemmas. It just says that we should act in such a way as a virtuous person would act given the situation.
5. The culture of a particular country/region is a very crucial factor in determining the general list of virtues, it will differ from one location to the other and there cannot be some general agreement.
6. It does not consider that even moral character of an individual may change over a period of time.

7. Virtue ethics concentrates on the imprecise nature of ethics. Therefore, it fails to give us any help with the practicalities of how we should behave.
8. Virtue ethics does not answer the question of what the "right" sort of character is which a person should have.

**Conclusion:**

Virtue ethics should be treated as ways to understand how to become moral creatures and how to develop the means by which we may be able to make moral decisions, and the process by which moral attitudes may be developed. No doubt, there are a number of valid objections against virtue ethics but at the same time it is also true that in the initial years, these may be able to teach us how morals themselves should be taught.

**(e) Theory of Rights:**

The first person credited with developing a comprehensive theory of rights was British philosopher John Locke (1632-1704). Locke wrote that people form societies, and societies form governments, in order to assure the enjoyment of 'natural' rights. Locke defined government as a "social contract" between rulers and ruled. Locke was of the opinion that citizens should give allegiance only to a government that protects their human rights. Government must systematically protect the human rights of its citizens.

The main limitation of Locke's theory is that he did not consider the claims of all people. In fact, his actual focus was the protection of the rights of European men owning property. Women, along with indigenous peoples, servants, and wage labourers, were not recognised as full rights-holders. Still, it can be remarked that the theory of Locke was an important breakthrough.

**General Classification of Rights:**

The following is a general classification of rights:

**1. Positive rights:** Positive rights are those rights that others have a duty to supply. In a welfare state government should provide certain benefits (positive rights) to the citizens.

For example, if an individual has a right to education, then the government has a duty to fulfil individual's needs.

**2. Negative rights:** Negative rights are the rights free from interferences by others in pursuing ones right of life, liberty and property.

**3. Moral rights:** Moral Rights are the rights which are based on moral norms entitling all persons to do something or to have something to be done for them.

**4. Legal rights:** A right provided by the legal system or the constitution of the country is known as a legal right. In India, a number of rights are provided by our constitution. Important being right of constitutional remedies etc.

**5. Human rights:** Human rights are those moral rights of humans as such, rights that humans have in virtue of being human.

**6. Natural rights:** Natural rights are moral rights that humans (in the moral sense) have because of their nature, or in virtue of being human. But this is simply a consequence of the fact that they are moral rights that humans have because of their nature, as opposed not only to legal and other conventional rights, but also to civil rights.

**7. Civil Rights:** Civil rights are moral rights of citizens as such. In moral and political philosophy, the term often further defined as the rights that constitute free and equal citizenship in a liberal democracy.

**8. Inalienable rights:** An inalienable right is one that cannot be transferred. And in moral philosophy, the ten is often used more broadly to refer to a right that cannot be lost or given up either by transfer forfeiture, or waiver.

#### **Classification of Rights Given by Hohfeld:**

Hohfeld has classified the rights into four basic categories viz. Claim, liberty, power, and immunity. The brief description of these is as under:

**(1) Claim:** It is entitlement of a person to get something from another person.

**(2) Liberty:** It means privileges, licenses or permissions/freedom to do something.

**(3) Power:** It means the authority given to someone. In other words, it is the legitimate power.

**(4) Immunity:** It means some special legitimate power to thwart others power in some circumstances.

**(f) Concept of Consent, Waiver, and Forfeiture:**

One does not violate a person's rights if one acts with that person's consent. Sometimes a right may be waived. It means giving it up voluntarily. To forfeiture of a right may result from wrong doing.

**(g) Other Relevant Theories:**

A few other relevant theories in this context have been described as under:

➤ **Constraint Theory:** It states that rights are constraints or restrictions on what we may do to promote good ends or optimal outcomes-limits on what it is permissible to do, even to achieve noble ends or the greater good. It provides rights a non-instrumental status but may take them to be derivative of other sorts of constraints, including obligations or duties.

➤ **Instrumental Theory:** It claims that moral rights are instruments either for promoting valuable ends or outcomes or for acknowledging the moral status of persons. Such theories assign rights and respect for rights a derivative status. For a few practical purposes, rights function as if they were constraints.

➤ **End-State Theory:** This is also known as goal-rights theory. According to this theory, if the duties are fulfilled and the rights are not violated and if they are respected, then these are valuable ends in itself and, therefore contribute towards the overall value of states of affairs. It assigns rights and respect for rights a non-derivative status, as intrinsic goods and ends to be promoted. This theory does not consider rights as constraints.

**Concluding Remarks:**

Generally a theory of rights is a complete moral theory. Because by knowing what

the rights of the relevant parties are, we are not in a position to say what one ought or ought not to do. It is also important to know that all duties or obligations do not entail correlative rights. One thing must be kept in mind that it is always presumptively wrong, immoral and unethical to infringe a claim right of other party. But this presumption is rebuttable where the right in question is not absolute, and any claim that a right is absolute will be controversial.

### **1.9 INDIAN VALUE SYSTEM IN RELATION TO BUSINESS ETHICS**

In the knowledge tradition of India, ethics has its origin in its religious and philosophical thinking. From time immemorial, various religious faiths have flourished here. Every religious and every philosophical system of India has a prominent ethical component. Ethics is the core of all these systems. In every religious tradition, good moral conduct is considered essential for a happy and contented life. Without following the path of righteousness no one can attain supreme goal (moksha) of life. For this one has to perform good deeds and avoid wrong doing.

India has a very ancient history of thinking about ethics. Its central concepts are represented in Rig-Veda, one of oldest knowledge texts not only of India but of the entire world. In Rig-Veda, we come across the idea of an all pervading cosmic order which stands for harmony and balance in nature and in human society. Here cosmic is described as a power or force which is the controller of the forces of nature and of moral values in human society. In human society, when this harmony and balance are disturbed, there is disorder and suffering. This is the power or force that lies behind nature and keeps everything in balance. In Indian tradition, the concept of order gave rise to the idea of dharma. The term dharma here does not mean mere religion; it stands for duty, obligation and righteousness. It is whole way of life in which ethical values are considered supreme and everyone is expected to perform his or her duty according to his or her social position and station in life. In Buddhism, the word dhamma is used, which is the pali equivalent of the Sanskrit word dharma. The guidelines and rules regarding what is considered as appropriate behaviour for human beings are prescribed in the dharma sastras. These are sociological texts that tell about our duties and obligations as individuals as well as members of society. In the Hindu way of life, every individual is expected to perform

his or her duty appropriate to his or her caste (Varna) and stages of life (asrama). This division of one's life into the four asrama and their respective dharmas was designed, in principle at least, to provide fulfilment to the person in his social, moral and spiritual aspects, and so to lead to harmony and balance in the society. The four asrama are (i) brahmacharya, stage of studentship; (ii) grahastha, stage of the household; (iii) vanaprastha, life in the forest; and (iv) samnyasa, renunciation.

Apart from this, the concept of four ends of life (purusharthas) is also very important. These four ends of life are the goals which are desirable in them and also needed for fulfilment of human aspirations. These are

- Righteousness (dharma)
- Worldly gain (artha)
- Fulfilment of desires (kama) and
- Liberation (moksha)

The fulfilment of all of these four ends of life is important for man. In this classification, dharma and moksha are most important from the ethical point of view. They give right direction and purpose to human life. For instance, acquiring wealth (artha) is a desirable objective, provided however it also serves dharma, that is, the welfare of the society.

**1. Bhagavad Gita:** In the Bhagavad Gita, selfless action (niskama karma) is advocated. It is an action which is required to be performed without consideration of personal consequences. It is an altruistic action aimed at the well-being of others rather than for oneself. In Hinduism this doctrine is known as karma yoga.

**2. Mahabharata:** The concept of right and wrong is the core of the Mahabharata which emphasizes, among others the values of non-violence, truthfulness, absence of anger, charity, forgiveness and self realization. It is only by performing one's righteous duties or dharma that one can hope to attain the supreme path to the highest good. It is dharma alone that gives both prosperity (abhyudaya) and the supreme spiritual good (nirvyaas).

**3. Dharma Sastras:** Similarly, the importance of ethics and ethical values is

highlighted in epics and philosophical texts like, Upanisads, Ramayana, darsana-sastras and dharma-sastras. The darsana sastras are philosophical texts, which provide rational explanations of the ethical issues; the universal moral problems faced by man in daily life are placed in a philosophical context. In the dharma-sastras, emphasis is on the social ethics. In these texts the interpersonal and social relations are placed in an ethical framework for guidance.

**4. Buddhist Ethics:** Buddhism also gives primary importance to ethics. Sometimes it is called an ethical religion as it does not discuss or depend on the existence of God (the Supreme Being with form and attributes) but instead believes in alleviating the suffering of humanity. The ethical Values in this faith are based on the life and teachings of the Buddha. These moral instructions are included in Buddhist scriptures or handed down through tradition. According to Buddhism, the foundation of ethics is the pricasila (five rules), which advocates refraining from killing, stealing, lying, sexual misconduct and intoxicants. In becoming a Buddhist, a should have deep sympathy and goodwill for the suffering people and should have the qualities of a good friend. The most important ethical value is nonviolence or non-injury to all living beings. Buddhist ethics is based on Four Noble Truths. These are: (1) life is suffering, (2) there is a cause for suffering, (3) there is a way to remove it, and (4) it can be removed (through the eight-fold path). It advocates the path of righteousness (dhamma). In a way this is the crux of Buddhist morality.

**5. Jain Ethics:** Jainism is another important religion of this land. It places great emphasis on three most important things in life, called three gems (triratna). These are: right vision (samyaka drsti), right knowledge (samyaka jnana) and right conduct (samyaka caritra). Apart from these, Jain thinkers emphasize the need for reverence (sraddha). There are other moral principles governing the life of Jains. Most important of these are ideas of punya (merit) and paap (demerit). Such deeds are very important from the ethical point of view. Paap is the result of evil deeds generated by vice and punya is the result of good deed generated by virtuous conduct. One should take up the path of virtuous life to lead the way to the spiritual growth. In Jainism the other ethics are: forgiveness, Humanity, Simplicity, non covetousness, restraint, Truthfulness, Purity and celibacy.

**6. The Bhakti Movement:** During the middle ages, the Bhakti movement arose in India. It was an all-India movement of social reform and spiritual awakening. It played a very important part in reawakening moral consciousness in India. Javadeva, Namdev, Tulsidas, Kabir, Ravidas and Mira are some of the prominent saints of this movement. Most of these saints came from the downtrodden sections of society. Rejecting the distinctions of caste, colour and creed, they spread the message of human equality. They were saint poets. In their Vani (poetic compositions) they propagated the ideals of love, compassion, justice and selfless service. These are the ethical values which we need even today.

### **1.9.1 CHARACTERISTICS OF INDIAN VALUE SYSTEM AND ETHICS**

True, ethical behaviour and ethics as a science do not necessarily presuppose a religious-philosophical creed. However, not only does every activity presuppose some knowledge of pragmatic matters, it also involves ideas or beliefs regarding the nature of the objective world and the subject. In ethical behaviour man has to be conscious of himself as a moral agent, and this presupposes some definite concepts of the human self, as also of the goal(s) or value(s) which man has to realize through his conduct. Hinduism as a religion is both a view of life and a way of life which are related as the theoretical and practical guides of the same spiritual life. Any study of Hindu ethics ought to take into account innumerable discussion on ethical matters, scattered throughout ancient Indian literature. Jainism and Buddhism as two branches of larger Hindu philosophical thought gives detailed accounts of ethical and unethical behaviour and also talks in great lengths about the duties of man.

1. Ethics in Indian value system is conscious living within the frame of certain principles of conduct laid down by those regarded as authorities. In general, therefore, the ethical institutions of life or the moral point of view, consists in the awareness of an important distinction between what is and what ought to be.

2. In Indian philosophy ethical behaviour may be both social and personal. Ethics as an institution of life has been recognized here from the very early stage of the Vedas.

Rather it has been recognized as the most basic element in human life. But then it has

not necessarily been recognized as a social enterprise in the sense of being an instrument of the society to help guide the people living in the society. It is rather engrained in the very being of the universe.

3. Ethics has a divine origin. Man has simply to adopt it from there. The Vedic distinction between Rju (straight) and Vran (crooked) and the Upanisadic distinction between Sreyah (desirable) and Preyah (pleasurable) have much to do with the origin of the sense of right and wrong and hence can be related to ethical and unethical behaviour in the context of modern day business ethics.

4. In Indian philosophy the origin of ethics does not come from the contingent agency like the society, but it has a divine origin. The concept of ethics is not necessarily tied up here with the concept of society. Furthermore, it is not the case here that ethics in Indian philosophy has meaning only in the context of society.

5. An individual may behave ethically or unethically in relation to other members of his society as also in relation to himself. Man by virtue of being what he is has to follow certain obligations, even if he is not a member of any society. There is talk of both social and individual morality in Indian ethics. Social ethics refers to questions of morality in relation to others, and where as individual ethics refers to the question of morality in relation to oneself. One is adopting a moral point of view not only making judgments about the conduct and character of some towards other members of the society, but also in his behaviour to himself as a man.

6. The concept of social and individual ethics can be analyzed in the context of business ethics. While social ethics can be seen from the point of view of organisational behaviour individual ethics could be the ethical codes for individual members of the corporation which can guide them to indulge in ethical business. The recognition of both social and individual ethics constituting the parts of the ethical life of man corresponds to the acceptance of the ethics of doing and the ethics of being as part of the Indian concept.

7. The ethics of doing refers to the DO's and DON'Ts and the ethics of being refers to the virtues and vices. Social ethics is predominantly the ethics of doing and individual ethics is the ethics of being. It can be said that where as social ethics has its root in a

sense or duty towards others, individual ethics or subjective ethics has its root in a sense of inculcating inner virtue.

8. The institution of ethics has for its basic concern the regulation of man's lower inclinations and promotion of the higher ones in realization of his aspirations as a man. It is in such a concern that the transition from 'is' to 'ought' is involved. The natural inclinations of man go in favor of his own egoistic interest and therefore it is the concern of ethics to instruct him to feel, think and do for others also. The sacrifice of one's egoistic interests does not always mean giving up one's egoistic interests for the sake of others, but also for the sake of the higher ones.

9. The Vedas in general seem to give an ethics of overt duties rather than inner virtues, an ethics of doing rather than being, and all duties are clearly directed towards worldly end. The Dharma sastras also preach an externalist ethics where inner motive or intention of the doer does hardly seem to constitute the rightness and wrongness of the action done by him. Dharmashastra are more or less given to us in the form of a legal code. Although at times it talks about inner purification.

10. Purity of motive and intention is also necessary for doing moral acts; only overt acts will not do. In the Upanisads and later in the Bhagavat Gita and other systems of Indian thought what is more important in ethical consideration are not the external acts, but the inner dispositions which prompt the acts.

11. Sin is not merely failure to do the right, but failure to let good intentions to act. According to the Buddhist and the Jaina outlook actions are good or bad not in terms of the external consequences they produce, but the inner motive which prompts them. In other words, it is the purity or impurity of motive which decides whether an action is right or wrong. However, neither Buddhism nor Jainism fully ignores the importance of consequences in judging an action to be right or wrong. Their attitude seems to be that only consequence does not determine the rightness or wrongness of an action. The Jain view to a certain extent tried to bring a synthesis between the consequences and internal motives of an action.

## 1.9.2 INDIVIDUAL ETHICS ACCORDING TO INDIAN VALUE SYSTEM

Indian philosophy elucidates in detail about the ethical character of man. Every man should try to incorporate these ethical codes. If every individual follows a moral life then any organisation can uphold utmost ethics. A man of character strives to practice truth, non-stealing, fearlessness and such other vows. He is ready to give up his life, but not truth. He is prepared to die, but will not kill. He is willing to accept suffering, but not inflict it on others. He does not steal, not takes bribes. He does not waste his time or that of others, goes on doing his duty fearlessly. Below a brief account of the basic principles found in Indian philosophy regarding individual ethics are been given.

**1. Doing one's duty:** Performing one's duty is fundamental concept of work ethics. One should fulfill one's commitment, and be accountable for results. He should be dedicated to hard work. He should protect the interest of the organisation he works for.

**2. Building a character foundation for society:** Everyone has goal for society. To get society in high gear, every member of society needs to understand the role for societal wellness.

**3. Honesty:** Wise persons are held to the highest standards of conduct which includes ethics, integrity, character, trustworthiness, truthfulness, morality, rightness. They show high consistency between word and deed.

**4. Vision:** They have ability to "see the future" and perceive an improved reality for the community. They have competence of leading through work, action and deed. They communicate their vision and provide direction to follow the vision. They encourage risk taking.

**5. Balance:** They are integrated or well-balanced spiritually, mentally, emotionally and physically. This gives good vibration to others, thereby elevating their spirits in addition to their confidence and passion for excellence.

**6. Self-learning:** They continuously learn of new knowledge and skills and develop cultural awareness and sensitivity.

**7. Self-confidence:** They have self-confidence in order to convince their followers of

the rightness of goals and decisions.

**8. Patience:** A wise man has patience; he controls his emotions. He quietly ignores an insult. He will not be provoked into meaningless fight, choosing instead to hold back his anger and to use his intellect to seek peace and reconciliation.

**9. Self-control and restrain in speech:** The wise are especially noted by their skill with words. First, they show self control and restrain in their use of language. Realizing the power of words, they speak with great caution. When they do speak, what they say is true and relevant. Moreover, their words are both dignified and astute.

**10. Differentiate between right and wrong:** The wise understand the true difference between right and wrong, good and evil. They know the real meaning of justice and red fair play. They do not judge by appearance only, but they also see in depth. They have insights and foresight, enabling them to perceive both the underlying dynamics of things while accurately anticipating results and consequences. "Therefore, they show good judgment and make correct decisions. Wise men are able to successfully perceive ahead because they have faith in the ultimate value of wisdom. And so the wise are law-abiding. They can see far ahead to know the benefits of right living. A man of character expresses all ethical and human values. He is called a Wiseman. He has wisdom and wisdom is born of contact with the divine. He has purity of mind/heart; higher consciousness is also called spiritual state of mind and combines in wisdom and values. In Indian wisdom, material and spiritual aspects of human existence or life are given emphasis and there is very close inter-relationship between worldly life and spiritual life. Both are manifestations or expressions of the divine or pure consciousness.

### **1.10 SUMMARY**

Ethical behaviour is one of the essential personal skill that a business must possess in addition to competence, confidence, integrity and objectivity. A company can never succeed if it ignores ethics. Ethical standards should never be compromised while doing business. The company following unethical business practices is bound to fail sooner or later. In short ethics are the highway to success for companies all

over the world. Senior professionals must encourage an ethics based culture in their organisations and among younger professionals because a company following ethical business practices can ultimately survive and thrive in the long run. Ethical values really act as a vital tool for removing unethical practices and business. However, the idea of values, when it comes to management, relates much more importance to practical matters. There is a huge correlation between correct value alignment and success. Only a business following ethical practices can survive in today's competitive world. The holistic approach of Indian Wisdom is needed for modern management to integrate matter/spirit or skills/values or object/subject. Modern management must incorporate Indian ethos to perfect the truncated model of man and recognize man as a whole man to assure wholesome human progress. Spirituality as well as material progress to satisfy the hunger of mind and soul as well as the hunger of physical and vital human being. Value-based holistic approach to management will assure such all round wholesome human development and prosperity. As per Indian ethos, the inner mind and inner aspects of man are emphasized. Focus is on developing inner mind. Faith and sincerity are two needs of management philosophy. Work must be done in right spirit and right attitude and in perfect way. A management with proper combination of values and skills can assure harmony and progress of organisation as well as society. This is unique contribution of Indian ethos.

### **1.11 SELFASSESSMENT QUESTIONS**

1. Define ethics. How it is different from morality.
2. What are the types of ethics.
3. What are the causes of unethical behaviour?
4. What are the features of Indian value system in relation to business ethics.

### **1.12 IN-TEXT QUESTIONS**

1. "Ethical conduct of business does not impair profitability instead improves it". Do you agree with the statement. Give reason in support of your answer.

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2. What are the factors highlighting the importance of business ethics.

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3. Discuss in detail the ethical values for success in business.

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4. What is the role of Indian value system in setting the business ethics? Do these values affect the business policies.

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### **1.13 FURTHER READING**

1. Business Ethics: Sanjeev K. Bansal, Sandeep K. Bansal, Rama Bansal
2. Business Ethics & Corporate Governance: S. K. Bhalla
3. Business Ethics and Communication: C. B. Gupta
4. Business Ethics: A. K. Gavai
5. Ethics In Management And Indian Ethos: Biswanath Ghosh

**OBJECTIVES**

After going through this lesson, you will be able to understand:

- meaning of values, norms, beliefs and moral standards
- concept of code of ethics, its role, benefits, contents and steps for effective code of ethics

**STRUCTURE**

## 2.1 Introduction

## 2.1.1 Features of Values

## 2.1.2 Significant Values of Indian Culture

## 2.1.3 List of Ethical Values Given by Michael Josephson

## 2.1.4 Types of Values

## 2.2 Norms

## 2.2.1 Causes of Difference in Norms

## 2.2.2 Types of Norms

## 2.3 Belief

## 2.3.1 Importance of Belief

## 2.4 Moral

2.4.1 Features of Moral Standards

2.4.2 Moral Rules Given by Bernard:

2.4.3 Difference between Ethics and Morals:

2.4.4 Important Theories Related to Moral Issues

2.5 Code of Ethics

2.5.1 Role of Code of Ethics

2.5.2 Benefits (Advantages) of Code of Ethics

2.5.3 Ten Commandments of Code of Ethics

2.5.4 Contents of Code of Ethics

2.5.5 Steps for Effective Code of Ethics

2.5.6 Basic Assumptions of Code of Ethics

2.5.7 Code of Ethics followed by Various Stakeholders

2.6 Summary

2.7 Self Assessment Questions

2.8 In-Text Questions

2.9 Further Reading

## **2.1 INTRODUCTION**

The word value has been derived from the Latin word valerie which means to be vigorous. According to oxford dictionary, values means worth. Values are our fundamental beliefs. They are the principles we use to define that which is right, good and just. Values provide guidance as we determine the right versus the wrong, the good verses the bad. They are our standards. All values contain some cognitive elements. Values may be inborn within individuals- embedded in individual. Individuals generally have different sets of values. Even these may change temporarily

because of external influences/forces. Values are said to be the cause and ethics are the effect. Values are those beliefs or standards that incline us to act in one particular way rather than another. Values are those beliefs or standards that incline us to act in one particular way rather than another. Values are the guiding principles that mould an individual's behaviour all his life. In the beginning, a child learns from his parents. Thereafter these are learnt from the society and the prevailing environment. Values guide a person's action and behaviour.

Allport (1971) defines, "a value is a belief upon which one acts by preference." A value represents the basic conviction that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or the end state of existence.

Values represent the deepest level of culture. They are broad feelings, often unconscious and not discussible, about what is good and what is evil, beautiful or ugly, rational or irrational, normal or abnormal, natural or paradoxical, decent or indecent (Pucik et al., 1993).

Values are considered as "constructs representing generalized behaviors or states of affairs that are considered by the individual to be important (Yukl, 2002). In work place settings values can affect decisions about whether to join an organization, organizational commitment, relationships with co-workers and decisions about leaving an organization. Values are the ideas and beliefs that influence and direct our choices and actions (Gini, 2004). Values defined as a concept that describes the beliefs of an individual or culture. 'A set of values may be placed into the notion of a value system' (businessdictionary.com)

Values are those things that really matter to each of us ... the ideas and beliefs we hold as special. Caring for others, for example, is a value. (businessdictionary.com).

Ethical values promote human well-being in an impartial way. Typical values include honesty, integrity, compassion, courage, honour, responsibility, patriotism, respect and fairness.

## **Personal Values and Business Values**

Personal values have long been considered important antecedents of behaviour. Values are "guiding principles in the life of a person or other social entity" (Schwartz, 1981). As relatively stable standards, values influence conduct by channeling, evaluating, and justifying other beliefs, attitudes, and actions (Rokeach, 1973). Understanding the influence of personal values in the context of work teams is important because values are potentially useful predictors of individual and team performance (Bell, 2007). Despite the widely shared belief that a relationship between personal values and performance in teams does exist, very few empirical investigations of this relationship have been conducted (Harrison, Price, Gavin, & Florey, 2002).

Spranger (1928) defined several types of values orientation and that has been developed by Guth and Taguiri (1965). They defined five types of value orientation.

1. The Economic man is primarily oriented towards what is useful. He is interested in the practical aspects of the business world, in the manufacture, marketing, distribution and consumption of goods, in the use of economic resources, and in the accumulation of tangible wealth.

2. The Theoretical man is primarily interested in the discovery of truth, in the systematic ordering of his knowledge. In pursuing this goal, he typically takes a cognitive approach looking for identities and difference. His interests are empirical, critical and rational.

3. The Political man is oriented toward power, not necessarily in politics, but in whatever area he works. Most leaders have a high power orientation. Competition plays a large role during all his life. For some men, this value is uppermost, driving them to seek personal power, influence and recognition in a continuous basis.

4. The Aesthetic man finds his main interest in the artistic aspects of life, although he need not be a creative artist. He values form and harmony.

5. The Social man is primarily oriented towards the well being of people.

His essential value is love of people- the altruistic or philanthropic aspect of love. The social man values people as ends, and tends to be kind, sympathetic and unselfish. How personal ethical values are formed and manifest is an ongoing subject of academic and

public interest. The spectacular, well-publicized moral lapses among corporate executive officers in Enron, Adelphi, Healthsouth, Parmalat, MCI/WorldCom, and Tyco, to name only a few, have captured headlines worldwide. These events occur because value differences in individuals lead to variance in behavior that is offensive to what society deems as moral and just (Rawls, 1997).

Business values define how the organization and its people function. These are the principles upon which everyone in the organization operates. Business values clarify who we are, what we stand for and why we do business the way we do. 'People values' include the basic human issues that affect daily work performance, such as honesty, truthfulness, trust, risk-taking and receptivity to new ideas. There are five key requirements for business values (Lebow and Simon, 1997):

1. Business values must affect everything within an organization, not just one department or region.
2. Business values must be linked to the overall success of the organization.
3. Business values must be controllable by someone or something.
4. Business values must be measurable.
5. Business values must be aspiration for all parties involved.

### **2.1.1 FEATURES OF VALUES**

The following are the main features of values:

1. Values are personal in nature whereas ethics is a generalised value system providing the general guidelines within which management can operate.
2. Values offer alternatives to choose from. For example, philanthropy as a business policy is optional. Whether it is to be used by the company depends upon the value of the Top Management of the company.
3. Values vary among the persons working in a company and it is demonstrated in their style of working.
4. A person having good values generally act in an ethical way. On the other hand some other person not having a regard for values may work in an un

ethical way.

5. Values are said to be the cause and ethics are the effect Values are guiding principles that mould an individual's behaviour all his life.
6. While ethics tells us what we ought to do, it does not explain why we do it. The study of values can assist us in this. Values are those beliefs or standards that incline us to act in one particular way rather than another.
7. Values are the concepts of the desirable with a motivating force. Values move us to act in a particular way. If a value does not cause one to act, then it can be concluded that value is not valued.
8. It must be demonstrated in practice, only then we can say that it is truly valued. Value may be instrumental to another value or terminal in itself.
9. Value is a purely human construction or the construction of any being with sufficiently advanced cognitive functions. In case there are no human beings, it is clear that values would also disappear.
10. All expressions of values are not always moral judgments, but all moral judgments do express something about what we value. Therefore, understanding morality requires investigating what people value and why.

### **2.1.2 SIGNIFICANT VALUES OF INDIAN CULTURE**

1. Every individual must be respected: Because every individual is a reflection of God has a divinity.
2. Cooperation and trust due to the divine inner being of all human beings.
3. Jealousy is harmful for mental health.
4. Chitta-shuddhi or purification of the mind - with noble thoughts of compassion, friendliness, humility, gratitude etc.
5. Karma yoga or Work is worship.
6. Containment of greed.
7. Ethico-moral soundness because every karma is a cause for subsequent effect.

8. Self discipline and self restraint.
9. Creativity as human creativity is an integral component and extension of cosmic creativity.
10. Inspiration to give etc.
11. Renunciation and detachment not from duties and responsibilities but from selfish results/rewards.

### **2.1.3 LIST OF ETHICAL VALUES GIVEN BY MICHAEL JOSEPHSON**

The following list of ethical values has been suggested for the business managers to be successful in the long run:

1. Honesty
2. Integrity
3. Promise-keeping
4. Loyalty
5. Fairness
6. Caring - concern for others
7. Respect for others
8. Abiding by law
9. Commitment to excellence
10. Leadership
11. Reputation and morale
12. Accountability

### **2.1.4 TYPES OF VALUES**

There are various types of values which humans can have. Each plays an important role in their lives, but they don't all play equal roles in the formation of moral standards and moral norms. The main types of values have been described as under:

#### **1. Preference Value:**

The expression of preference is the expression of some value we have and which we respect. When we prefer to educate the illiterate poor masses, it means we value that activity. Most ethical theories do not place much emphasis on this type of value

when constructing arguments for particular actions being moral or immoral. Preference, values helps us in satisfying ourselves, by morally choosing/ preferring that activity which we respect.

## **2. Instrumental Value:**

When something is valued instrumentally, that means we only value it as a means to achieve some other end which is, in turn, more important. For example, one may go for a walk to have good health. In this case, going for a walk is instrumental in our enjoying good health. Instrumental values play an important role in theories of morality which argue that the moral choices are those which lead to the best possible consequences. Thus, helping a poor child is considered a moral choice and is valued not simply for its own sake but, rather, because it leads to some, other good - the well being of another person. It must however be noted that everything we value is something which leads to some other value, suggesting that all of our values are, at least in part, instrumental values. It may be concluded that such values are desirable strictly conditional on their anticipated consequences. Its examples may be ambitious (hard-working, aspiring), capable (competent, effective) and open-minded (broad-minded), responsible (dependable, reliable), self-controlled (restrained, self-disciplined) etc.

## **3. Terminal Values:**

Terminal Values signify the objectives of the life of a person - the ultimate things the person wants to achieve through his or her behaviour. These values aims at the destination a person wants to reach in life. In short, these values are desirable without conditioning on other consequences. Examples may be leading a comfortable life (a prosperous life), an exciting life (a stimulated, active life), sense of accomplishment (lasting contribution) etc.

## **4. Intrinsic Value:**

Intrinsic values are purely intrinsic. The intrinsic value of something is said to be the value that that thing has "in itself," or "for its own sake," or "as such," or "in its own right." These are not used simply as a means to some other end and it is not

simply preferred above other possible options. But it must be noted that some experts doubt whether intrinsic values actually exist or not. If intrinsic values do exist, how is it that they occur. Are they like colour or a characteristic which we can detect so long as we use the right tools. What would produce the characteristic of intrinsic value. For example, the question of good health - that is something which just about everyone values, but is it an intrinsic value as people are unable to reach any sort of agreement about such value.

### **5. Extrinsic Value:**

Extrinsic value is the value which is not intrinsic. We must recognize all such those things which have true value and dispense with artificially created values which distract us.

It can be said that values are really important in life. Honesty, integrity, adherence to truth, non-violence, non-injury, helping the distressed and the needy are some of the values of human life. Values have to be followed and adhered to by the human beings for the welfare of the society they live in. There is no final value or set of values. In fact, there is constant feed-back loop where things a person value continually lead to other things he may value.

## **2.2 NORMS**

A norm is a guideline or an expectation for behaviour. Each society makes up its own rules for behaviour and decides when those rules have been violated and what to do about it. Norms are the specific cultural expectations for how to behave in a given situation. These are the agreed-upon expectations and rules about how its members should and should not behave. It must however be remembered that norms vary from culture to culture. It may so happen that norms in one culture may not be the norms in another culture. All norms are not static; some of the norms change constantly.

Norms can be defined as attitudes and behaviours common to members of a particular group, or what they believe is "normal".

For example, most cultures require that people wear clothes. Some even have

laws to enforce this dictum: in many western countries, a naked person in public will be arrested with a charge of "indecent exposure".

We have norms about how we speak. How you address your grandmother is probably different to how you talk with your spouse, and this is also different to how you speak to your boss, or your children. Your choice of words, your tone, and your body language are all norm-based.

Nearly everything in human society is governed by norms of some kind. This is why it feels so strange to go to a very different culture, where their norms are so different to what we are used to - but it is normal to them.

As groups, organisations have their own norms. When you move from one job to other, whether between companies, or even within the same organisation, part of learning your new role is not just understanding the tasks you must perform, but also the unwritten rules - the norms - associated with that task.

### **2.2.1 CAUSES OF DIFFERENCE IN NORMS**

Norms differ widely among societies, and they can even differ from group to group within the same society. The following are a few major causes of this difference:

#### **1. Difference in Settings:**

Norms change from setting to setting. In different settings, different expectations are placed on our behaviour. Even within the same society, we have to adopt different norms in different conditions. The way to behave in a temple certainly differs from the way we are expected to behave at a marriage function.

#### **2. Different Countries:**

Norms generally differ from country to country may be considered highly inappropriate in another. In the United States, people are expected to sit quietly during a movie, but it is not so in case of various African nations where shouting during watching a movie is a common practice.

#### **3. Different Time Periods:**

Appropriate and inappropriate behavior often changes dramatically from one generation to the next. Norms may change over a period of time. Norms framed and accepted by old generations may not be acceptable to the younger generations. In India, older generations were very hard working and highly ethical, but younger generations lack such ethical values. Earlier there were almost no inter-caste marriages, but now a days, it is very common to see instances of inter-caste marriages.

### **2.2.2 TYPES OF NORMS**

Sumner identified three basic types of norms: Folkways, Mores, and Laws. These three types of norms vary in their importance within a society. Accordingly, their violation is tolerated to different degrees.

#### **1. Folkways:**

Rules that cover customary ways of thinking, feeling, and behaving but lack moral overtones are called folkways. For example, sleeping in a bed versus sleeping on the floor is not a moral issue; it qualifies as a folkway. Folkways in the United States include supporting school activities, speaking to other students in the hall, and, if you are male, removing your hat in church.

Because folkways are not considered vital to group welfare, disapproval of those who break them is not very great. Those who consistently violate folkways say, by talking loudly in quiet places, wearing shorts with a suit coat and tie, or wearing different-coloured socks on each foot may appear odd. We may avoid these people, but we do not consider them wicked or immoral.

Some folkways are more important than others, and the social reaction to their violation is more intense. Failure to offer a woman a seat on a crowded bus draws little notice today. In contrast, obnoxious behaviour at a party after excessive drinking may bring a strong negative reaction from others.

#### **2. Mores:**

The term mores (pronounced "MOR-ays") is based on the word moral. Morality deals with conduct related to right and wrong. Mores are norms of great moral significance.

They are vital to the well-being of a society. Conformity to mores draws strong social approval; violation of this type of norm brings strong disapproval. For example, Americans believe that able-bodied men should work for a living. Able-bodied men who do not work are scorned.

Although following folkways is generally a matter of personal choice, conformity to mores is a social requirement. Still, some mores are more vital to a society than others. Failure to stand at attention while the national anthem is being played is not as serious a violation of American mores as using loud profanity during a religious service.

The most serious mores are taboos. A taboo is a norm so strong that its violation demands punishment by the group (or, some people think even the supernatural). In India, followers of Hinduism have a taboo forbidding the killing of cows. Other taboos are related to sexual behaviours. Although definitions of incest vary from society to society, the incest taboo (forbidding sexual contact with close relatives) is generally regarded as the only taboo that is present in all societies.

The "mother-in-law" taboo existing in some societies prohibits or severely restricts social contact between a husband and his wife's mother.

### **3. Law:**

The third type of norm is law. Laws are norms that are formally defined and enforced by officials. Folkways and mores emerge slowly and are often unconsciously created, while laws are consciously created and enforced.

Mores are an important source for laws. At one time, the norm against murder was not written down. But as civilization advanced, the norm against murder became formally defined and enforced by public officials.

Folkways can become mores or laws. Smoking, for example, was an acceptable behaviour to most Americans until the late 1970s, when mounting health concerns convinced many that smoking should be limited or banned in public places. Today, many states have laws against smoking in airports, government buildings, restaurants, and other places open to the general public.

Not all mores become laws. For example, it is not against the law to cheat on an exam (although you may be suspended or punished by the teacher). Furthermore, not all laws started out as mores. Fines for overtime parking and laws against littering have never been mores.

Laws often remain on the books for a long time after the mores of a society have changed. It is illegal in Minnesota to hang male and female undergarments on the same clothesline. New York prohibits card playing on trains; elephants in Natchez, Mississippi, cannot legally drink beer; and it is against the law to wear roller skates in public bathrooms in Portland, Oregon.

### **2.3 BELIEF**

A belief is the mental attitude that some proposition is true. For every given proposition, every person either has or has not the mental attitude that it is true. There is no middle ground between the presence or absence of a belief. A majority of people has a belief that God exists some may not have such a belief. Belief is distinct from judgement, which is a conscious mental act that involves arriving at a conclusion about a proposition and thus usually creating a belief. Whereas belief is the mental attitude that some proposition is true rather than false, judgement is the evaluation of a proposition as reasonable, fair, misleading, etc. It is not necessary for a belief to be constantly and consciously manifested. We all have many beliefs which we are not consciously aware of. There may even be beliefs which some people never consciously think about. It is assumptions and convictions that are held to be true, by an individual or a group, regarding concepts, events, people and things.

#### **2.3.1 IMPORTANCE OF BELIEF:**

Beliefs are important because behaviour is important and our behaviour depends on our beliefs. Everything which we do depends upon our beliefs. Beliefs determine our reactions others' behaviour. Beliefs are not an entirely private matter. Our beliefs influence our actions. The more important the behaviour in question is, the more important the underlying, beliefs must be. The more important those beliefs are, the more important it is that they be open to examination, questioning, and challenges.

## **TOLERANCE & INTOLERANCE OF BELIEFS:**

It is very difficult to suppress beliefs, but we can be tolerant or intolerant of ideas in wide variety of ways. We must keep in mind the harm beliefs might ultimately cause, either directly or indirectly. Beliefs can cause harm directly by promoting or justifying harm towards others. Beliefs can cause harm indirectly by promoting false representations of the world as knowledge while preventing believers from subjecting those representations to critical scrutiny.

### **2.4 MORAL**

Morals are a person's inner and peculiar character. It may be different between even two human beings. An act regarded as wrong by one person may be regarded as perfectly by another one. Morals are the faith of a person. One good example is of abortion which totally legal and allowed in the medical ethics whereas it is against the morality of human kind.

Morals are values which we attribute to a system of beliefs, typically a religious system but it could be a political system of some other set of beliefs. These values get their authority from something outside the individual- a higher being or higher authority (e.g. society). In the business world we often find ourselves avoiding framing our ethical choices in moral terms for fear that doing so might prove offensive (lacking in respect or compassion) to some. Many of us find our values are strongly influenced by our sense of morality - right as defined by a higher authority. Morality can be defined as the standards that an individual or a group has about what is right and wrong or good and evil. Yet we refrain from citing that authority because doing so may seem less rational and more emotional to others who do not share our belief system. The lack of public reference to morals does not diminish the power of moral authority. Avoiding a morality-based rationale is a social convention and one that is not universally practiced.

By that definition one could categorize the values listed above (honesty, integrity, compassion) as "moral values" - values derived from a higher authority. That is a convenient way to differentiate them from what are often called utilitarian or business

values, such as excellence, quality, safety, service, which define some elements of right and good in a business context.

#### **2.4.1 FEATURES OF MORAL STANDARDS:**

The following are the main features of the moral standards:

1. Moral standards deal with matters that can seriously affect human life and mother nature. For example, generally people hold moral standards against theft, enslavement, murder, child abuse, assault, fraud, lawbreaking, environmental pollution etc.

2. Moral standards are not established or changed by authoritative bodies. The validity of moral standards rests on the adequacy of the reasons that are taken to support and justify them. It depends on society and cultural values.

3. Moral standards generally preferred over self-interest. But it does not mean that it is always wrong to act on self-interest; it only means that it is wrong to choose self-interest over morality.

4. Moral standards are based on impartial considerations.

5. Moral standards are associated with special emotions as we don't generally like the people who work against the moral standards.

#### **2.4.2 MORAL RULES GIVEN BY BERNARD:**

Noted philosopher Bernard has forwarded the following ten rules regarding moral conduct of an individual:

1. Don't kill.
2. Don't cause pain.
3. Don't disable.
4. Don't deprive of freedom.
5. Don't deprive of pleasure.
6. Don't deceive.
7. Keep your promise.
8. Don't cheat.
9. Obey the law.

10. Do your duty.

### **2.4.3 DIFFERENCE BETWEEN ETHICS AND MORALS:**

The following are the main points of difference between ethics and morals:

#### **1. Word of Origin:**

The word ethics has been derived from Greek word 'ethos' which means 'character.' Character is a personal attribute. Whereas the word moral has been derived from Latin word 'mos'.

#### **2. Meaning:**

Ethics relates to what is good or bad, moral duties and obligations. Moral relates to principles of right or wrong.

#### **3. Nature:**

Ethics are accepted because these arise from personally accepted principles. These relate more in a professional life. Morals are accepted due to an authority which may be religious or cultural. These are what individuals follow independently. Ethics relates to a society where morality relates to an individual.

#### **4. Foundation:**

Ethics are based on philosophy whereas morals are based upon religion.

#### **5. Scope:**

Ethics is much wider in scope. It examines the moral standards of a group or society to determine whether these standards are reasonable or unreasonable in concrete situation. Morals are in smaller scope than ethics. It addresses human need for belonging and emulation.

#### **6. Expression:**

Ethical norms are comparatively abstract. It cannot be described in general rules and statements. Moral norms are usually expressed as general rules and statements.

Ex. "always tells the truth."

#### **7. Absorption:**

Ethics are adopted or absorbed by an individual gradually by taking reasonable decisions in appropriate situations. Morals are typically adopted or absorbed since childhood from family, friends, school, religion, religious leader and so on.

#### **8. Code:**

Ethics are codes followed by a group or culture whereas morals are personal codes

#### **9. Change:**

Ethics of a person can change with time whereas morals of a person do not change with time.

### **2.4.4 IMPORTANT THEORIES RELATED TO MORAL ISSUES**

The following are the main theories as far as the moral issues are concerned:

#### **(a) Jean Piaget's Theory:**

Jean Piaget is among the first psychologists who have made efforts towards theories of moral development. He believed that morality can be considered a developmental process. He mainly focused specifically on the moral lives of children, studying the way children play games in order to learn more about children's beliefs about right and wrong. He is of the opinion that all development emerges from action. Morality is mainly developed as a result of interactions with the environment. Piaget interviewed children regarding acts such as stealing and lying. From his observations, Piaget concluded that children begin in a "heteronomous" stage of moral reasoning, characterized by a strict adherence to rules and duties, and obedience to authority. This heteronomy mainly results from the following two factors:

##### **1. Child's cognitive structure:**

He believed that the thinking of young children is characterized by egocentrism. They are unable to simultaneously, take in account their own view of things with the perspective of someone else. Moral realism is associated with "objective responsibility", which is valuing the letter of the law above the purpose of the law. This

is why young children are more concerned about the outcomes of actions rather than the intentions of the person doing the act. Children expect that punishments automatically follow acts of wrong doing.

## **2. Social relationship with adults:**

Their relative social relationship with adults is also a contributing factor. In the natural authority relationship between adults and children, authority travels from top to bottom. The relative powerlessness of young children, coupled with childhood egocentrism feeds into a heteronomous moral orientation. But sometimes, children find this strict heteronomous adherence to rules problematic. As a result, they develop an "autonomous" stage of moral reasoning, characterized by the ability to consider rules critically, and selectively apply these rules based on a goal of mutual respect and cooperation. Therefore a sense of fair reciprocity develops.

### **Concluding Remarks:**

Piaget concluded that we should emphasize cooperative decision-making and problem solving, nurturing moral development by working out common rules based on fairness. He believed individuals define morality individually through their struggles to arrive at fair solutions. This autonomous view of morality as fairness is more compelling and leads to more consistent behaviour than the heteronomous orientation held by younger children.

### **(b) Kohlberg's Theory of Moral Development:**

One of the best known theories has been developed by psychologist Lawrence Kohlberg who modified and elaborated upon Jean Piaget's work on moral development to form a theory that explained the development of moral reasoning. Consistent with Piaget, he proposed that children form ways of thinking through their experiences which include understandings of moral concepts such as justice, rights, equality and human welfare. Piaget described a two-stage process of moral development whereas Kohlberg identified six stages of moral reasoning grouped into three major levels. Each level represented a fundamental shift in the social-moral perspective of the individual. According to Kohlberg, moral development is a continual process that occurs throughout the lifespan.

## **Kohlberg's Stages of Moral Development:**

### **Level 1. Pre-Conventional Level:**

The pre-conventional level is characterised by the following two stages:

#### **Stage 1 - Obedience and Punishment:**

The earliest stage of moral development is especially common in young children. At this stage, children see rules as fixed and absolute. Obeying the rules is mainly done to avoid punishment. A child is not aware of his own needs and need of the others. So this stage is characterized by ego-centrism and the inability to consider the perspectives of others.

#### **Stage 2 - Individuals and Exchange:**

At this stage of moral development, children account for individual points of view and judge actions based on how they serve individual needs. There is early emergence of moral reciprocity. It concentrates on pragmatic value of an action. Here the rule becomes, "If someone hits you, you hit them back." What is right is what's fair in the sense of an equal exchange, a deal, an agreement. Reciprocity is possible at this point in moral development, but only if it serves one's own interests.

### **Level 2. Conventional Level:**

Individuals at the conventional level have an understanding that norms and conventions are necessary to uphold society. The conventional level comprises the following two stages:

#### **Stage 3 - Interpersonal Relationships:**

At this stage, persons define what is right in terms of what is expected by people close to one's self, and in terms, of the stereotypic roles that define being good- eg. a good brother, good mother, good, teacher, good boy and good girl. Being good means keeping mutual relationships, such, as trust, loyalty, respect, and gratitude. In fact, this stage of moral development is focused on living up to social expectations and roles.

#### **Stage 4- Maintain Social Order:**

At this stage of moral development, people begin to consider right in terms of laws and norms established by the larger social system, judgments are made within the limits provided by society at large. The focus is on maintaining law and order by following the rules, doing one's duty and respecting authority. Obeying the law is seen as necessary in order to maintain the system of laws which protect everyone.

#### **Level 3. Post Conventional Level:**

The post conventional level is characterized by reasoning based on principles, using a "prior to society" perspective. Various phenomenon like overall social good and justice are respected. This level is characterised by the following two stages:

#### **Stage 5 - Social Contract and Individual Rights:**

At this stage, people begin to account for the differing values, opinions and beliefs of other people. Rules of law are important for maintaining a society, but members of the society should agree upon these standards. Laws are evaluated in terms of their coherence with basic principles of fairness rather than upheld simply on the basis of their place within an existing social order.

#### **Stage 6 - Universal Principles:**

Kohlberg's final level of moral reasoning is based upon universal ethical principles and abstract reasoning. At this stage, people follow these internalized principles of justice, dignity, and equality even if they conflict with laws and rules.

#### **Significance of Kohlberg's Theory of Moral Development:**

Really this theory provides a useful framework for understanding how morality of people develops as they grow. According to Kohlberg, the moral reasoning of the people at the later stages of moral development is better than the moral reasoning of people at the earlier stages. The reason forwarded is that elder people view the things with a wider perspective and their real life experience helps them in making rational decisions. Kohlberg rejected the focus on values and virtues, not only due to the lack of consensus on what virtues are to be taught, but also because of the complex nature

of practicing such virtues. Kohlberg believed a better approach to affecting moral behaviour should focus on stages of moral development. These stages are critical, as they consider the way a person organizes their understanding of virtues, rules, and norms, and integrates these into a moral choice. Kohlberg also appreciated the importance and value of moral dilemma.

### **Criticisms of Kohlberg's Theory of Moral Development:**

The theory forwarded by Kohlberg has been criticised on the basis of following aspects:

1. Kohlberg's theory is concerned with moral thinking, but there is a big difference between knowing what we ought to do versus our actual actions.

2. Kohlberg's theory of moral development overemphasizes the concept as justice when making moral choices. Factors such as compassion, caring and other interpersonal feelings may play an important part in moral reasoning.

3. Kohlberg's claim that moral reasoning of the people at the later stages of moral development is better than the moral reasoning of people at the earlier stages is not tenable.

4. Kohlberg's theory overemphasizes Western philosophy. Eastern cultures may have different moral outlooks that Kohlberg's theory does not account for.

5. The theory shows male dominance, feminine aspects have not been considered.

6. Morality and convention, then, are distinct, parallel developmental framework rather than a single system as thought of by Kohlberg.

### **(c) Domain Theory:**

Domain theory has been advanced by Elliot Turiel and his colleagues. It has refined further the Kohlberg's theory in some respects. In this theory, a distinction has been drawn between the child's developing concepts of morality, and other domains of social knowledge like social convention. According to Domain theory, all actions are not same and all action does not have intrinsic consequences. It has been stated that actions within the moral domain have intrinsic consequences on the welfare of another person whereas actions relating to matters of social convention have no intrinsic interpersonal consequences. The core features of non cognition are centered around considerations

of the effects which actions have upon the well being of persons. Morality is structured by concepts of harm, welfare, and fairness.

According to this theory, generally all social events, including moral ones, take place within the context of the larger society, a person's reasoning about the right course of action in any given social situation may require the person to access and coordinate their understandings from more than one social cognitive frameworks. This theory provided an insight to recognize that what Kohlberg's theory attempts to account for within a single developmental framework is in fact the set of age-related efforts people make at different points in development to coordinate their social normative understandings from several different domains. Thus, domain theory posits a great deal more inconsistency in the judgments of individuals across contexts, and allows for, a great deal more likelihood of morally (fairness and welfare) based decisions from younger and less developed people than would be expected from within the traditional Kohlberg scale.

## **2.5 CODE OF ETHICS**

The core elements of an ethics programme is the development of a well defined Code of Ethics. Code of Ethics provides the standards and practices that form the foundation for conduct based on integrity. It acts as a guide to fulfil the ethical and legal responsibilities as an employee of a company. A code of ethics is very useful for a company in various other aspects. It provides guidance on everything from the simplest of questions to the most complex ethical dilemma. An effective code of ethics establishes the ethical expectations for employees and management alike, and sets forth the mechanism for enforcement and consequences of non-compliance. A code of ethics document may outline the mission and values of the business or organisation, how professionals are supposed to approach problems, the ethical principles based on the organisation's core values and the standards to which the professional is held. A code of ethics will start by setting out the values that underpin the code and will describe a company's obligation to its stakeholders. The code is publicly available and addressed to anyone with an interest in the company's activities and the way it does business. It will include details of how the company plans to implement its values and vision, as well as guidance to staff on ethical

standards and how to achieve them. It is a guide of principles designed to help professionals conduct business honestly and with integrity. A code of ethics document may outline the mission and values of the business or organization, how professionals are supposed to approach problems, the ethical principles based on the organization's core values and the standards to which the professional is held.

However, a code of conduct is generally addressed to and intended for employees alone. It usually sets out restrictions on behaviour, and will be far more compliance or rules focused than value or principle focused. This code is also good for Non Governmental Organisations.

Corporate codes of ethics are published by companies in order to communicate their values and beliefs to stakeholders. These may include:

- customers, whose buying decisions may be influenced by ethical consideration.
- investors, whose investment decisions may be influenced by ethical factors
- employees, who have to know the values and ethical conduct expected from them
- suppliers, who need to understand the particular needs of the company and to know how they will be treated during the course of the commercial relationship with the company
- lobby groups, who may have specific interests in certain practices of the organisation
- the community, in which the organisation is situated wants that the company will act in the best interest of the society at large and act as a good corporate citizen.

When the Code of ethics is perceived as an integral component of the organization's culture and is understood, followed and enforced sincerely, it can provide protection and competitive advantage to the company.

### **2.5.1 ROLE OF CODE OF ETHICS:**

As the volume of the business transactions enlarge and get more complicated, a company

may face some situations where the right choice is not simple and clear. In such cases, the decisions the company make should be in compliance with their Code of Ethics and other common ethical principles and values.

The code of ethics has the following role to play:

➤ The Code of Ethics provides guidance material which give information about the Company structure and the legislation in force and the basic policies and procedures to be followed for conduct of business activities in compliance with law and ethical principles. It helps in supporting day-to-day decision making at work.

➤ This document also establishes guidelines for interacting with one another as well as clients, stakeholders and competitors. Every member of a company must know and follow the code of ethics of the company.

➤ An effective code of ethics is very helpful in building trust and commitment.

➤ The Code of Ethics is applicable to all employees of a company and its affiliates. The Code also applies to third parties who work on behalf of the Company, such as agents, independent contractors and other non-employee representatives. Top management is responsible for enforcing the Code of ethics in a company.

➤ Code of ethics clarifies the cornerstones of the company- its mission, values and principles to everyone concerned with the company.

➤ The work force is responsible for learning and adhering to the professional and ethical behaviours described in the Code of Ethics.

➤ If any of the employees is violating the procedures or ethical rules set forth by the Company, in its code of ethics, the other employees may inform their superior and he may further investigate the matter.

➤ A code of ethics offers an invaluable opportunity for a responsible organisation to further its positive public identity.

➤ Code of ethics play an important role in locating key documents, support services and other resources related to ethics and values within the organization.

➤ An effective code of ethics encourages ethical decision-making and prevents misconduct and fraud. It provides a basis fixing responsibility accountability, applying penal provisions and punishing the wrongdoer.

### **2.5.2 BENEFITS (ADVANTAGES) OF CODE OF ETHICS**

A Code of Ethics is important on many levels. A code of ethics offers an invaluable opportunity to a company to convey its positive public identity. It results in increased level of public confidence and trust among important stakeholders. Together these benefits can make a profound and positive impact on the corporate culture. Across-the-board failure of controls and ethics at almost every level of the Enron contributed to its failure. A flawed idea, self-enrichment by employees, inadequately designed controls, poor implementation, inattentive oversight was also responsible. Such an awkward situation might have been avoided in case a code of ethics would be there. The Code of ethics Promotes the highest level of honest and ethical conduct, protection of confidential and proprietary information ,Compliance with applicable laws, rules and regulations, open communication and prompt reporting of violations and also promotes culture of mutual respect. A well defined code of ethics results in a number of benefits. A few of these are as under:

- Helpful in building trust and commitment among stakeholders.
- Creates awareness of key ethical issues among staff.
- Stimulates ethical dialogue.
- Useful in decision-making.
- Encourage staff to act within the stipulated space.
- Controls misconduct and related unethical issues
- Provide guidelines to staff.
- Serves as a key reference tool.
- Raise ethical expectations
- Encourage ethical decision-making

- Prevent misconduct.

### **2.5.3 TEN COMMANDMENTS OF CODE OF ETHICS**

The following are the ten commandments which must be followed in framing the code of ethics of an organisation:

1. Be honest, truthful, forthright, candid and sincere.
2. Have integrity.
3. Keep your word and abide by the spirit as well as the letter of the law.
4. Be faithful and never disclose confidential information.
5. Always be fair: Demonstrate a commitment to justice, with equal treatment of all.
6. Care for others: Be kind.
7. Respect others in every way.
8. Be a responsible citizen. Obey just laws and protest unjust ones.
9. Rigorously pursue excellence. Never be content with mediocrity.
10. Always be accountable: good leaders lead by example.

### **2.5.4 CONTENTS OF CODE OF ETHICS**

#### **1. Core Values and Principles:**

These should refer not only to the commercial objectives of the company but the manner in which they will be pursued. The company may state social commitments as well as best practices that will be adopted by it. Core Values and Principles generally include honesty respect to individuals, innovation, team work, leadership, productivity, confidentiality, open door policy matters.

#### **2. Financing:**

How various available sources of finance will be explored by the company? It may

also show how the company will deal with providers of finance to the company, and it may also assure that its accounting will be fair and its published statements will give a true and fair view of its financial position as well as its financial operations. The main issues involved an prevention of money laundering activities and insider trading, maintenance of proper account books, keeping and safeguarding of financial documents etc.

### **3. Customers:**

Customers may refer to this statement to confirm the minimum standard that can be expected from the products and services being offered by the company. They may also be interested in matters such as customer: service and distribution channels, supply chain policies, fair dealing, customer satisfaction, fair trade commitments, organic ingredients, fair marketing practices etc.

### **4. Suppliers:**

The code may refer to how suppliers will be chosen and the standards to which they must adhere. It may also set down the terms of business on which suppliers are engaged. It may also include business intelligence and international business restrictions issues.

### **5. Employees:**

The code should confirm employment practices in relation to engagement of workers including equal opportunities and diversity, working conditions and how employees will be developed. The main issues are fair and equitable treatment to all promotion policy, no discrimination or harassment, rules regarding reporting discrimination and harassment, abuse of drugs and alcohol, providing work safety etc.

### **6. Community:**

The company must serve the community by providing employment, opportunities, generating income and raising the standard of living of the society. It is also true that the operations of a company also results in adverse effects on society due traffic congestion, emissions and other social costs. The code may provide some measures to tackle these problems and serve the society in a better way. The issues involved

are protection of environment and other social responsibility measures etc.

#### **7. Lobby Groups:**

These groups express specific concerns relating to factors such as raw materials, working conditions and environment a impact. The code may address such issues by stating broad policies.

### **2.5.5 STEPS FOR EFFECTIVE CODE OF ETHICS**

It must be remembered that there is no "one size fits all" solution. Code of Ethics must reflect your organization's policies, controls and processes. Policies of other reputed companies may provide guidance in this regard. It may contain provisions relating to conflicts of interest, insider trading, gifts and hospitality, information security and privacy, record keeping, cooperation with investigations and audits, whistleblower provision, suspected illegal or unethical activities etc. It should also provide guidance to assist employees and ethics program management. It should provide referrals to resources on where to go for further information or guidance. It may be appropriate to extend certain provisions of the Code beyond Director and employees, to vendors, contract workers, service providers, counter-parties or related organizations. The following are the main steps in preparing a code of ethics:

#### **1. Support from Top Management:**

The support and commitment of leaders is necessary for success in developing a code of ethics. Resource allocation is the critical areas affected by leadership commitment. Therefore it is important to gain leadership commitment early in the process and to make this commitment clear to everyone in your organization. Top Management must understand the business case for high ethical standards and attention to integrity risk, and recognise their oversight role in assuring that the organisation lives up to its values.

#### **2. Setting up a Committee:**

A board level committee must be set up and" it should be chaired by a non-executive director is committed to ethical values. This committee will oversee the ethics function for the development of the code of ethics, the implementation of the ethics programme

and the alignment of all business processes with the ethics policy. It must clarify the objectives and scope of the ethics programme and ensure that this aligns with the corporate purpose and strategy. The committee must be assigned the responsibility and accountability for the code development. These employees must be committed and have the time to devote. In choosing team employees, it is often good practice to select people who represent the diversity of your organisation and the views of key employees, volunteers and other groups.

### **3. Utilising Best Practices of others:**

It is true that we cannot use the code of ethics of other companies in our company as such in the same way. But best practices adopted by other companies may be used.

### **4. Draft your Code of Ethics:**

It must be remembered that while making draft of code of ethics, the main questions must be kept in mind. These questions are like what are the key ethics issues and concerns within your organization? What suggestions do your employees have for creating a more useful code? Use this information to help you in developing an outline and content for your code. The code of ethics must be drafted by involving people, who, are interested or will be affected by the code provisions in-the drafting process. Stakeholders may be involved. In fact, the involvement of others can improve the breadth and depth of issues addressed in a code and can also facilitate general support. The code of ethics must be developed to serve the unique needs of the company.

### **5. Submit Draft Code to Board:**

Top Management must leaders must play a participative role in the code development process, even if they have not been actively involved in the day-to-day drafting of the code. Such participation tends to reinforce leadership commitment to the overall code initiative. Revise code of ethics on the basis of comments and suggestions of the Board.

## **6. Monitoring and Assurance:**

It must be decided in advance how the success of the code will be monitored. How will you know the code is working? What are the key indicators/measures of an ethical culture for your organisation?

## **7. Final Approval of the Board:**

Board Approval of Final Draft must be taken before publishing and disseminating the final code. Such Code of ethics must be formally approved by your Board of Directors.

## **8. Adoption of the Code of Ethics:**

A code of ethics is a vehicle for ongoing communications about ethics. Communications can take many forms including ethic training, newsletter articles, posters, e-mails, formal and informal discussions of ethics and the like. Code of ethics must be adopted at a special event. The reasons for the development of the code and its importance in the organization's overall ethics initiative must be communicated.

## **9. Continuous Updating:**

Codes of ethics should be revised and updated regularly. Ethical principles, the guidelines, examples and related information should be revised in light of changes taking place in the internal as well as external environment, strategy, stakeholder concerns and social expectations, new standards, and strength and weakness in your ethical performance. It must be remembered that developing code of ethics is not an end in itself but it is an ongoing process. When, how and by whom should our code of ethics be reviewed and updated should be very carefully decided.

### **2.5.6 BASIC ASSUMPTIONS OF CODE OF ETHICS**

Code of ethics is based on the following basic assumptions:

1. Ethics among shareholders, owners, directors and management are a necessary element for companies in the 21st century to adequately meet their objectives, to the degree that Ethics are a key requisite in guaranteeing and balancing the rights and interests of all stakeholders involved: employees, clients, shareholders, suppliers and business

partners and the society at large.

2. Ethics presuppose rigorous compliance in and by the company with applicable legislation, as well as with the Articles of Incorporation and Regulations for internal operations, where they exist.

3. Ethics within the company require that shareholders and owners become guarantors of compliance in respect of obligations for directors and management.

4. Even though this Code has been created with the intention of being applicable in general to all companies, it should also be understood within a general and basic framework subject to adaptation to the specific circumstances of each business; thereby ensuring that it contemplates application of the principles of ethics and sustainable development in accordance with the specific activity of the company involved.

5. Ideally, the Board of Directors is responsible for drawing up the Code of Ethics for the company and the General Shareholders' Meeting for approving that Code. Should, however, the Board also proceed with approval, that decision must be ratified by the Shareholders' Meeting.

### **2.5.7 CODE OF ETHICS FOLLOWED BY VARIOUS STAKEHOLDERS**

The following are code of ethics adhered by shareholders or owners and managers or directors in relation to management functions, suppliers or clients, competitors, employees and civil society.

#### **(1) Code of Ethics for Companies Shareholders and Owners**

In the exercise of their ownership rights, they should:

i. Configure their company as an instrument at the service of creating wealth, making their indisputable objective of obtaining a profit compatible with sustainable, environmentally sound social development, making certain that all activities are carried out in an ethical and responsible manner.

ii. Configure the company as a medium and long-term entity, not compromising its continuity through an interest in short-term enrichment.

iii. Exercise voting rights at the General Shareholders' Meetings on an informed and responsible basis and, in doing so, always demand ethical behaviour from the company, including approval of the Code of Ethics and orchestrating effective application thereof.

iv. Search for a fair balance between capital and work, in such a fashion that, through their salaries, workers receive just compensation for their work.

v. Appoint as directors and management persons who meet the requisites established regarding adequate preparation and experience, and who carry out management functions in a professional, ethical and responsible manner.

vi. Define and defend the mission and values of the company in accordance with its Code of Ethics.

## **(2) Code of Ethics for Directors and Management**

In the exercise of their administrative and management functions, they should:

### **i. In relation to Management functions:**

1. Carry out their activities in a professional, ethical and responsible manner.
2. Comply and demand compliance with the Code of Ethics of the company and, to that end, make the Code known and establish appropriate mechanisms to guarantee application. In particular there should be a body, ideally an Ethics Committee, made up of people with sufficient power to apply the Code and correct infractions.
3. Inform owners or shareholders periodically and accurately as to the situation of and outlook for the company.
4. Promote effective participation by shareholders at the General Meetings, especially by facilitating the exercise of information and voting rights.
5. Comply and demand compliance with generally accepted accounting standards and principles, and establish internal and external risk management and control systems in accordance with the characteristics of the company.

6. Keep the books and ledgers of the company in an accurate and honest manner, in order to permit that information be obtained and decisions be taken on an informed and responsible basis.

7. Provide external and internal auditors of the company with all such information and explanations as may be required to carry out their work.

8. Subordinate their own interests to those of the company when acting on behalf and in representation thereof and not use corporate assets in their own benefit, except with due transparency, prior authorisation from the relevant corporate body and in exchange for consideration deemed appropriate on the market.

9. Immediately notify the administrative body as to any event or situation which would represent or could give rise to a conflict between the interests of the company and the individual interests of the director or manager, and abstain from intervening in the resolution.

10. Facilitate the transparency of and control over their remuneration in such a way that it is guaranteed to be appropriate to their level of responsibility and performance and to the characteristics of the company.

11. Maintain as confidential the background, data and documents to which they have access by virtue of their functions in the company, even when they no longer carry out such functions.

12. Make payment and comply with debts incurred by the company without unjustified delay or breach, and collect on balances due with the diligence required in each case.

13. Prepare and maintain in place a succession plan for key positions within the company, to ensure that continuity of the company does not depend on the presence of any given director or manager.

14. Choose their collaborators and subordinates in accordance with the principles of merit and capacity, looking only to fulfil the interests of the company.

**ii. In relation to suppliers and clients of the Company:**

1. Maintain ethical and licit relationships with suppliers of goods and services.
2. Search for and select only suppliers whose business practices respect human dignity, are not in breach of law and do not place the company's reputation in danger.
3. Select suppliers on the basis of the appropriateness of their products or services, as well as of their prices, delivery conditions and quality, not accepting or offering gifts or commissions, in cash or in kind, which could alter the rules of free competition in the production and distribution of goods and services.
4. Aspire to excellence in the goods and services of the company in such a way that clients and consumers obtain the satisfaction expected there from.
5. Guarantee the products and services of the company and deal quickly and efficiently with consumer and user claims, with a view to achieving satisfaction beyond mere compliance with prevailing legislation.

**iii. In relation to competitors of the Company:**

1. Not abuse a dominant or privileged market position.
2. Compete in good faith with other companies cooperating to achieve a free market based on mutual respect between competitors and abstaining from engaging in unfair practices.
3. In particular, not take clients from other competitors employing unethical methods.

**iv. In relation to employees of the Company:**

1. Treat employees with dignity, respect and justice, taking into consideration their different cultural sensitivities.
2. Not discriminate against employees on the grounds of race, religion, age, nationality, sex or any other personal or social condition different from the conditions of merit and capacity.
3. Not permit any form of violence, harassment or abuse at the workplace.

4. Recognise the rights of association, union membership and collective negotiation.
5. Promote the professional development, training and promotion of employees.
6. Link remuneration and the promotion of employees to their conditions of merit and capacity.
7. Establish and communicate clear criteria and rules which maintain a balance between the rights of the company and those of employees in hiring processes and in the separation thereof, even in the case of a voluntary change in employee.
8. Guarantee health and safety on the job, taking any such measures as are considered reasonable to maximise prevention of occupational risk.
9. Look to reconcile work at the company with the personal and family life of employees.
10. Look to achieve the occupational integration of persons with incapacities or handicaps, eliminating barriers of all kinds in the ambit of the company in order to achieve insertion.
11. Facilitate the participation of employees in the social action programmes of the company.

**v. In relation to the civil society:**

1. Respect human rights and democratic institutions, and promote them wherever possible.
2. Maintain the principle of political neutrality, without interfering politically in those communities where they carry out their activities, also as a demonstration of respect for the different opinions and sensitivities of people related to the company.
3. Maintain licit and respectful relationships with public authorities and institutions, not accepting or offering gifts or commissions in cash or in kind.

4. Make contributions to political parties or public institutions only in accordance with prevailing legislation and, in any case, guaranteeing transparency.
5. Collaborate with Public Entities and non-governmental entities and organisations dedicated to improving levels of social attention for disadvantaged persons.

## **2.6 SUMMARY**

To conclude, it can be said that morals are of a subliminal nature. Following ethics is therefore a relatively simple affair as it only involves a set of socially acceptable guideline which benefit all. Morals are however relatively difficult to adhere to. Ethics relate more in a professional life while morals are what individuals follow independently. Keeping in mind the falling moral values in the society, moral education is the need of the hour. However, it must be remembered that ethics have a lot to do with perception, which can be modified but can hardly be completely changed. In order to make effective code of ethics we must know what staff thinks the prevailing ethics standards are in your institution. If there is a gap, the company must take steps to refine it. Board must be convinced to get their support for a strong code of ethics. However it must be noted that a code of ethics is an organic instrument that changes with the needs of society and the organisation.

## **2.7 SELFASSESSMENT QUESTIONS**

1. Ethical values for managers given by Michael Josephson.
2. Write short note on tolerance and intolerance of belief.
3. What is code of ethics.
4. What is role of code of ethics.

## **2.8 IN-TEXT QUESTIONS**

1. "Kohlerberg's views on moral development show that the more morally mature a person becomes, the more likely it is that the person will obey the moral norms of his or her society". Discuss this statement.

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2. What is the concept of values. Discuss its features and types.

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3. Discuss in detail the various steps for developing effective code of ethics.

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4. Discuss in details the contents of code of ethics.

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## **2.9 FURTHER READING**

1. Business Ethics: Sanjeev K. Bansal, Sandeep K. Bansal, Rama Bansal
2. Business Ethics & Corporate Governance: S. K. Bhalla
3. Business Ethics and Communication: C. B. Gupta
4. Business Ethics: A. K. Gavai
5. Ethics In Management And Indian Ethos: Biswanath Ghosh

**OBJECTIVES**

After going through this lesson, you will be able to understand:

- meaning, importance, factors influencing and guidelines for managing ethics at work place
- concept of discrimination, its forms, types and prevention
- types of harassment

**STRUCTURE**

## 3.1 Introduction

## 3.2 Meaning of Work Place Ethics

## 3.2.1 Importance of Workplace Ethics

## 3.2.2 Benefits of Managing Ethics in the Workplace

## 3.2.3 Disadvantages of Following Workplace Ethics

## 3.2.4 Managing Ethics at Work Place

## 3.3 Guidelines for Managing Ethics in the Workplace

## 3.4 Key Roles and Responsibilities in Ethics Management

## 3.5 Factors Influencing Work Place Ethics

## 3.6 Meaning of Job Description and it's Nature

## 3.6.1 Forms of Discrimination

### 3.7 Ethical Arguments against Discrimination

### 3.8 Discriminatory Practices

#### 3.8.1 Affirmative Action for Discrimination Practices

#### 3.8.2 Arguments for and against Positive Discrimination

### 3.9 Sexual Harassment

#### 3.9.1 Types of Sexual Harassment

#### 3.9.2 Impact of Sexual Harassment on Work Environment

#### 3.9.3 Prevention of Sexual Harassment

#### 3.9.4 The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### 3.10 Prevention of Harassment

### 3.11 Summary

### 3.12 Self Assessment Questions

### 3.13 In-Text Questions

### 3.14 Further Reading

## **3.1 INTRODUCTION**

When employees have no ethical principles to follow in the workplace they may make decisions based on their own values. However, varying values can create discord on the workplace. So management needs ethical principles to set standard for employees. Regardless of individual values, ethical principles in the workplace set common workplace values. Having this mutual understanding, helps to create greater efficiency and productivity. The Ethics Resource center reports that non-unionized employees perceive stronger ethical cultures within their organisations than their unionised counterparts. The non-profit organisation also reports that young workers

are more likely to perceive weak ethical cultures within their companies than older ones. Managers also tend to value stronger ethical cultures than employees in non-management positions. It is the duty of a manager to incorporate and manage a strong ethical culture within his business. Workplace ethics are significant to anyone's business and provide numerous benefits.

### **3.2 MEANING OF WORK PLACE ETHICS**

One of the most important responsibilities that we place on the leaders of organisations is upholding the highest standards of ethical behavior. In a nutshell, this comes down to doing the right thing even when the wrong thing might also have some attraction. Work-place ethics are most often related to decision-making processes. Most leaders face the opportunity to choose between alternative courses of action in their work situations and other aspects of their lives. Work place ethics refer to choosing the option that is determined to be the moral or legal "right" choice, even if the other alternative(s) are very attractive and even if you can "get away with" the less ethical choice.

Why is it important to exercise work-place ethics?

Leaders are often put in decisions where they must choose among options that vary in their degree of ethical behavior. One of the reasons why this is a common issue for leaders is that there are often competing priorities for businesses. On the one hand, organisations exist to generate profits for their shareholders, which may encourage leaders to act in ways that are less ethical in order to, cut costs or increase revenues. On the other hand, organisations are made up of human beings who are personally invested in the company and often live in the communities in which they work. If the individuals are harmed by decisions that maximize company profitability, then the decision is not an ethical one. Only one stakeholder is getting their needs met, at the expense of other stakeholders. According to one theory, leaders may make bad ethical decisions and rationalize these decisions. For example, a leader may tell themselves it is not really illegal or immoral, or perhaps that it will never be found out or that their bad behavior will be rewarded.

### **3.2.1 IMPORTANCE OF WORKPLACE ETHICS**

The following points show the importance of workplace ethics.

#### **1. Asset Protection:**

A strong ethical culture within your business is important in safeguarding your assets. Employees who abide by your workplace ethics would be able to protect and respect your business's assets. For example, they would avoid making personal long distance calls using the business's lines. Workers can only respect company property when you treat them with respect and dignity, which makes them feel proud to be working for your business. Ensure that your workers perform in an environment with integrity and strong ethics. It increases employee pride and discourages them from stealing supplies or equipment.

#### **2. Productivity and Team Work:**

Workplace ethics is integral in fostering increased productivity and teamwork among your employees. It helps in aligning the values of your business with those of your workers. Achieving this alignment requires that you encourage consistent dialogue regarding the values of your business, which enhances community, integrity and openness among employees. Ethics enable your workers to feel a strong alignment between their values and those of your business. They show such feelings through increased productivity and motivation.

#### **3. Public Image:**

You earn a lot of respect and cultivate a strong image in the public domain when you make ethical choices. For instance, you can fulfill your corporate social responsibility by reducing waste discharge from your business. The public would consider your business to be operating with honor and integrity while valuing people over profits. Building a strong public image through ethical conduct also earns you more clients. Customers would develop trust in you and do business with your organisation.

#### **4. Decision-Making:**

Ethical conduct in the workplace encourages a culture of making decisions based on ethics. It also enhances accountability and transparency when undertaking any

business decisions. During turbulent times, a strong ethical culture guides you in managing such conflicts by making the right moves. It can help you to introduce change successfully in your organisation, which can be a challenge. Ethical conduct within the business sensitizes you and your staff on how to act consistently even in difficult times.

- Fostering a more satisfying and productive working environment;
- Building and sustaining your association's reputation within the communities in which you operate;
- Maintaining the trust of members to ensure continued self-regulation;
- Legitimizing open discussion of ethical issues;
- Providing ethical guidance and resources for employees prior to making difficult decisions; and
- Aligning the work efforts of staff with the association's broader mission and vision.

### **3.2.2 BENEFITS OF MANAGING ETHICS IN THE WORKPLACE**

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics in the workplace.

#### **1. Law:**

Local, state and federal laws help to guide part of a company's ethical policies. For example, a zero tolerance corporate policy for sexual harassment is in response to the many laws that govern this kind of workplace activity. Ethical compliance helps companies to develop a work culture that abides by the workplace laws and reduces the costs associated fines and lawsuits.

#### **2. Workplace Culture:**

A policy of ethical compliance helps to create a workplace culture where all employees

treated with respect. Employees are given equal access to advancement opportunities and workplace becomes a positive and nurturing environment. A strong ethical standard in the workplace helps to create strong working relationships between the staff and management. It reduces employee turnover, improves morale and has a positive effect on productivity.

### **3. Teamwork and Productivity:**

Ethics programs cultivate strong teamwork and productivity. Ethics programs align employee behavior with those top priority ethical values preferred by leaders of the organisation. Usually, an organisation finds surprising disparity between its preferred values and the values actually reflected by behaviour in the workplace. Ongoing attention and dialogue regarding values in the workplace builds openness, integrity and community - critical ingredients of strong teams in the workplace. Employees feel strong alignment between their values and those of the organisation. They react with strong motivation and performance.

### **3. Support Employee Growth:**

Ethics programs support employee growth and meaning. Attention to ethics in the workplace helps employees face reality, both good and bad - in the organisation and themselves. Employees feel full confidence they can admit and deal with whatever comes their way.

### **4. Reduces Criminal Acts:**

Ethics programs help avoid criminal acts "of omission" and can lower fines. Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an organisation is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act e.g., in business dealings with certain government agencies, such as the Defence Department. The recent Federal Sentencing Guidelines specify major penalties for various types of major ethics violations. However, the guidelines potentially lower fines if an organisation has clearly made an effort to operate ethically.

## **5. Helps to Manage Values:**

Ethics programs help manage values associated with quality management, strategic planning and diversity management - this benefit needs far more attention. Ethics program; identify preferred values and ensuring organisational behaviors are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviours with preferred values, and then training all personnel about the policies and procedures. This overall effort is very useful for several other programs in the workplace that require behaviours to be aligned with values, including quality management, strategic planning and diversity management. Total Quality Management includes high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders. Ethics management techniques are highly useful for managing strategic values, e.g., expand market share, reduce costs, etc. McDonnell Douglas integrates their ethics programs into their strategic planning process. Ethics management programs are also useful in managing diversity. Diversity is much more than the colour of people's skin - it's acknowledging different values and perspectives. Diversity programs require recognizing and applying diverse values and perspectives - these activities are the basis of a sound ethics management program.

## **6. Strong Public Image:**

Ethics programs promote a strong public image. Attention to ethics is also strong public relations - admittedly, managing ethics should not be done primarily for reasons of public relations. But, frankly, the fact that an organisation regularly gives attention to its ethics can portray a strong positive to the public. People see those organisations as valuing people more than profit, as striving to operate, with the utmost of integrity and honor. Aligning behavior with values is critical to effective marketing and public relations programs.

### **3.2.3 DISADVANTAGES OF FOLLOWING WORKPLACE ETHICS**

#### **1. Lack of Management Support:**

One of the disadvantages of an ethical compliance program is that it requires the comprehensive support of management to be effective. If members of the management team decide to apply their own version of corporate ethics to the way they manage their departments, then this clash of principles can cause confusion in the workplace. For example, a manager who tends to look the other way when his employees are committing sexual harassment sets a precedent that can start to undermine the entire corporate culture.

#### **2. Costly:**

Developing, implementing and maintaining an ethics compliance program within your organisation can be expensive and time-consuming. Ethics policies need to be continually updated to reflect changes in workplace laws and changes in your company culture as the organisation grows. Proper administration of an ethics program often requires the hiring of an ethics officer and the commitment of company financial and personnel resources.

### **3.2.4 MANAGING ETHICS AT WORKPLACE**

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics at the workplace:

#### **1. Attention to Business Ethics has Substantially Improved Society:**

A matter of decades ago, children in our country worked 16-hour days. Workers' limbs were torn off and disabled workers were condemned to poverty and often to starvation. Trusts controlled some markets to the extent that prices were fixed and small businesses choked out. Price fixing crippled normal market forces. Employees were terminated based on personalities. Influence was applied through intimidation and harassment. Then society reacted and demanded that businesses place high value on fairness and equal rights. Anti-trust laws were instituted. Government agencies were established. Unions were organised. Laws regulations were established.

#### **2. Ethics Programs help Maintain a Moral Course in Turbulent Times:**

As noted earlier in this document, Wallace and Pekel explain that attention to business ethics is critical during times of fundamental change - times much like those faced now by businesses, both non profit or for-profit. During times of change, there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong. Continuing attention to ethics in the workplace sensitises leaders and staff to how they want to act -consistently.

### **3. Ethics Programs Cultivate Strong Teamwork and Productivity:**

Ethics programs align employee behaviors with those top priority ethical values preferred by leaders of the organisation. Usually, an organisation finds surprising disparity between its preferred values and the values actually reflected by behaviors in the workplace. Ongoing attention and dialogue regarding values in the workplace builds openness, integrity and community - critical ingredients of strong teams in the workplace. Employees feel strong, alignment between their values and those of the organisation. They react with strong motivation and performance.

### **4. Ethics Programs Support Employee Growth and Meaning:**

Attention to ethics in the workplace helps employees face reality, both good and bad -in the organisation and themselves. Employees feel full confidence they can admit and deal with whatever comes their way. Bennett, in his article "Unethical Behavior, Stress Appear Linked," (Wall Street Journal, April 11, 1991, p. B1), explained that a consulting company tested range of executives and managers. Their most striking finding: the more emotionally health executives, as measured on a battery of tests, the more likely they were to score high on ethics tests.

**5. Ethics Programs are an Insurance Policy-They Help Ensure that Policies Are Legal:** There is an increasing number of law suits in regard to personnel matters and to effects of an organisation's services or products on stakeholders. As mentioned earlier in this document ethical principles are often state-of-the-art legal matters. These principles are often applied to current, major ethical issues to become legislation. Attention to ethics ensures highly ethical policies and procedures in the workplace. It's far better to incur the cost of mechanisms ensure ethical practices now than to incur costs of litigation later.

## **6. Ethics Programs Help Avoid Criminal Acts of Omission and Can Lower Fines:**

Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an organisation is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act, e.g., in business dealings with certain government agencies, such as the Defense Department. The recent Federal Sentencing Guidelines specify major penalties for various types of major ethics violations. However, the guidelines potentially lower fines if an organisation has clearly made an effort to operate ethically.

## **7. Ethics Programs help Manage Values Associated with Quality Management, Strategic Planning and Diversity Management - This Benefit Needs Far More Attention:**

Ethics programs identify preferred values and ensuring organisational behaviours are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviors with preferred values, and then training all personnel about the policies and procedures. This overall effort is very useful for several other programs in the workplace that require behaviors to be aligned with values, including quality management, strategic planning and diversity management. Total Quality Management includes high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders. Ethics management techniques are highly useful for managing strategic values, e.g., expand market share, reduce costs, etc. McDonnell Douglas integrates their ethics programs into their strategic planning process. Ethics management programs are also useful in managing diversity. Diversity is much more than the color of people's skin - it's acknowledging different values and perspectives. Diversity programs require recognizing and applying diverse values and perspectives these activities are the basis of a sound ethics management program.

## **8. Ethics Programs Promote a Strong Public Image:**

Attention to ethics is also strong public relations admittedly, managing ethics should not be done primarily for reasons of public relations. But, frankly, the fact that an organisation regularly gives attention to its ethics can portray a strong positive to the public. People see those organisations as valuing people more than profit, as striving to operate with the utmost of integrity and honour. Aligning behaviour with values is critical to effective marketing and public relations programs.

## **9. Overall Benefits of Ethics Programs:**

Managing ethical values in the workplace legitimises managerial actions, strengthens the coherence and balance of the organisation's culture, improves trust in relationships between individuals and groups, supports greater consistency in standards and qualities of products, and cultivates greater sensitivity to the impact of the enterprise's values and messages.

## **10. Last**

And most formal attention to ethics in the workplace is the right thing to do

### **3.3 GUIDELINES FOR MANAGING ETHICS IN THE WORKPLACE**

The focus on core values and sound ethics, the hallmark of ethical management, is being recognized as an important way to ensure the long-term effectiveness of governance structures and procedures, and avoid the need for whistle - blowing. Employers who understand the importance of workplace ethics, provide their workforce with an effective framework and guiding principles to identify and address ethical issues as they arise.

#### **1. Codes of Conduct and Ethics:**

A code of ethics specifies the ethical rules of operation in an organisation. Codes of conduct specify actions in the workplace and codes of ethics are general guides to decisions about those actions. Examples of topics typically addressed by codes of conduct include: preferred style of dress, avoiding illegal drugs, following instructions of superiors, being reliable and prompt, maintaining confidentiality, not

accepting personal gifts and so on. Codes are insufficient if intended only to ensure that policies are legal. All staff must see the ethics program being driven by top management.

**2. Establish Open Communication:**

Instead of just creating and distributing an ethics policy, it is important that take the time to explain the reasons for the policy and review the guidelines and conduct formal or informal training to further sensitise employees to potential ethical issues. Many of the ethical problems arising in a business are not clear cut but involve "grey areas," where the proper course of action may be ambiguous and uncertain. It is necessary to create a work environment where employees understand that it is acceptable to have an ethical dilemma; and give workers the resources to help resolve such situations.

**3. Make Ethics Decisions in Groups:**

Make ethics decisions in groups, and make decisions public, as appropriate. This usually produces better quality decisions by including diverse interests and perspectives, and increase the credibility of the decision process and outcome by reducing suspicion of unfair bias.

**4. Integrate Ethics Management with other Management Practices:**

When developing the values statement during strategic planning, include ethical value preferred in the workplace. When developing personnel policies, reflect on what ethical values you'd like to be most prominent in the organisation's culture and then design policies to produce these behaviours.

**5. Use of Cross-Functional Teams:**

When developing and implementing the ethics management program. It's vital that thj organisation's employees feel a sense of participation and ownership in the program if they are to adhere to its ethical values. Therefore, include employees in developing and operating the program.

## **6. Appointing an Ombudsperson :**

The ombudsman is responsible to help coordinate development of the policies and procedures to institutionalise moral values in the workplace. This establishes a point of contact where employees can go to ask questions in confidence about the work situations they confront and seek advice.

## **7. Value Forgiveness:**

This may sound rather religious or preachy to some, but it's probably the most important component of any management practice. All ethics management program may at first actually increase the number of ethical issues to be dealt with because people are more sensitive to their occurrence. Consequently, there may be more occasions to address people's unethical behavior. The most important ingredient for remaining ethical is trying to be ethical. Therefore, help people recognize and address their mistakes and then support them to continue to try operate ethically.

## **8. Creating an Atmosphere of Trust:**

Creating an atmosphere of trust is also critical in encouraging employees to report ethical violations they observe. This function might best be provided by an outside consultant, e.g., lawyer, clergyperson, counsellor etc. Or, provide a "tip" box in which personnel can report suspected unethical activities, and do so safely on an anonymous basis.

## **9. Regularly Update Policies and Procedures:**

Firm should regularly update policies and procedures to produce behaviours preferred from the code of conduct, job descriptions, performance appraisal forms, management-by-objectives expectations, standard forms, checklists, budget report formats, and other relevant control instruments to ensure conformance to the code of conduct. There are numerous examples of how organisations manage values through use of policies and procedures. For example, we are most familiar with the value of social responsibility. To instill behaviours aligned with this value, organisations often institute policies such as recycling waste, donating to charities or paying employees to participate in community events. In another example, a high value on responsiveness to customers

might be implemented by instituting policies to return phone calls or to repair defective equipment within a certain period of time.

#### **10. Grievance Policies:**

Include a grievance policy for employees to use to resolve disagreements with supervisors and staff.

#### **11. Set an Example From the Top:**

Executives and managers not only need to endorse strict standards of conduct, but should also ensure that they follow it themselves. They must stress to employees that dishonest or unethical conduct will not be tolerated, and that they are expected to report any wrongdoing they encounter; showing through actions as well as words that the company relies on, rather than discriminates against, those who come forward concerning ethical breaches.

### **3.4 KEY ROLES AND RESPONSIBILITIES IN ETHICS MANAGEMENT**

Depending on the size of the organisation, certain roles may prove useful in managing ethics in the workplace. These can be full-time roles or part-time functions assumed by someone already in the organisation. Small organisations certainly will not have the resources to implement each the following roles using different people in the organisation. However, the following functions points out responsibilities that should be included somewhere in the organisation.

1. The organisation's chief executive must fully support the program. If the chief executive isn't fully behind the program, employees will certainly notice - and this apparent hypocrisy may cause such cynicism that the organisation may be worse off than having no formal ethics program at all. Therefore, the chief executive should announce the program, and champion its development and implementation. Most important, the chief executive should consistently aspire to lead in an ethical manner. If a mistake is made, admit it.

2. Consider establishing an ethics committee at the board level. The committee

would be charged to oversee development and operation of the ethics management program.

3. Consider establishing an ethics management committee. It would be charged with implementing and administering an ethics management program, including administering and training about policies and procedures, and resolving ethical dilemmas. The committee should be comprised of senior officers.

4. Consider assigning/developing an ethics officer. This role is becoming more common, particularly in larger and more progressive organisations. The ethics officer is usually trained about matters of ethics in the workplace, particularly about resolving ethical dilemmas.

5. Consider establishing an ombudsperson. The ombudsperson is responsible to help coordinate development of the policies and procedures to institutionalize moral values in the workplace. This position usually is directly responsible for resolving ethical dilemmas by interpreting policies and procedures.

6. Note that one person must ultimately be responsible for managing the ethics management program.

The roles and responsibilities necessary to effectively implement workplace ethics will vary with each organisation. A manager should be in place to oversee the ethics program, but he or she will need the support provided by other positions. Smaller organisations may not need to fill all of the roles listed below; determine what your company needs before executing an ethics program.

- **CEO:** The CEO of every company needs to support business ethics and lead by example.
- **Ethics committee:** An ethics committee will develop and supervise the program.
- **Ethics management team:** Senior managers implement the program and train employees.
- **Ethics executive:** An ethics executive or officer is trained to resolve ethical

problems.

- **Ombudsperson:** This position requires interpreting and integrating values throughout the organisation.

Ethics is the study of ways of distinguishing and deciding on right and moral behaviour as distinguished from wrong and immoral behavior. The business ethics involves issues of the general policies and practices adopted by a business as a whole as well as its actions in specific situations involving ethical considerations. Business ethics is also impacted by the behaviour of the senior managers responsible for managing the business.

### **3.5 FACTORS INFLUENCING WORK PLACE ETHICS**

It is important to handle recognition and awards for appropriate behavior in a consistent and balanced manner. All employees should be eligible for the recognition, the behaviours or actions acknowledged should be noted, anyone performing at the threshold level should be acknowledged, and the praise or reward should be given as close to the performance as possible. An organisation's failure to monitor or manage its culture may foster questionable behaviour. An important component of corporate, or organisational, culture is the company's ethical culture. Whereas, corporate culture involves values and norms that prescribe a wide range of behaviour for organisational members, the ethical culture reflects whether the firm also has an ethical conscience. Ethical culture is a function of many factors, including corporate policies on ethics, top management's leadership on ethical issues, the influence of coworkers, and the opportunity for unethical behaviour. Within the organisation as a whole, sub climates can develop within individual departments or work groups, but they are influenced by the strength of the firm's overall ethical culture, as well as the function of the department and the stakeholders it serves. The more ethical employees perceive an organisation's culture to be, the less likely they are to make unethical decisions. Corporate culture and ethical culture are closely associated with the idea that significant others within the organisation help determine ethical decisions within that organisation. Research also indicates that the ethical values embodied in an organisation's culture are positively related to employees' commitment to the firm and their sense that they fit into the company. These findings suggest that companies should develop and

promote ethical values to enhance employees- experiences in the workplace. So now let's discuss about the various organisational factors which may influence the process of ethical decision making.

### **1. Corporate Policies on Ethics at the Top:**

The ethical component of corporate culture, is a significant factor in ethical decision making. If a firm's culture encourages or rewards unethical behavior, its employees may well act unethically. If the culture dictates hiring people who have specific, similar values and if those values are perceived as unethical by society, society will view the organisation and its members as unethical. Such a pattern often occurs in certain areas of marketing. For instance, salespeople may be seen as unethical because they sometimes use aggressive selling tactics to get customers to buy things they do not need or want. If a company's primary objective is to make as much profit as possible, through whatever means, its culture may foster behaviour that conflicts with stakeholders' ethical values. On the other hand, if the organisation values ethical behaviours, it will reward them.

### **2. Significant Others:**

Those who have influence in a work group, including peers, managers, coworkers, and subordinates, are referred to as significant others. They help workers on a daily basis with unfamiliar tasks and provide advice and information in both formal and informal ways. Coworkers, for instance, can offer help in the comments they make in discussions over lunch or when the boss is away. Likewise, a manager may provide directives about certain types of activities that employees perform on the job. Indeed, an employee's supervisor can play a central role in helping employees - develop and fit in socially in the workplace. Numerous studies conducted over the years confirm that significant others within an organisation may have more impact on a worker's decisions on a daily basis than any other factor.

### **3. Obedience to Authority:**

It is another aspect of the influence that significant others can exercise. Obedience to authority helps to explain why many employees resolve business ethics issues by

simply following the directives of a superior. In organisations that emphasize respect for superiors, for example, employees may feel that they are expected to carry out orders by a supervisor even if those orders are contrary to the employees' sense of right and wrong. Later, if the employee's decision is judged to have been wrong, he or she is likely to say, "I was only carrying out orders" or "My boss told me to do it this way." In addition, the type of industry and the size of the organisation have also been researched and found to be relevant factors; the bigger the company, the more potential for unethical activities.

#### **4. Opportunity:**

Opportunity describes the conditions in an organisation that limit or permit ethical or unethical behaviour. Opportunity results from conditions that either provide rewards, whether internal or external, or fail to erect barriers against unethical behaviour. Examples of internal rewards include feelings of goodness and personal worth generated by performing altruistic acts. External rewards refer to what an individual expects to receive from others in the social environment. Rewards are external to the individual to the degree that they bring social approval, status, and esteem.

An example of a condition that fails to erect barriers against unethical behavior is a company policy that does not punish employees who accept large gifts from clients. The absence of punishment essentially provides an opportunity for unethical behavior because it allows individuals to engage in such behaviour without fear of consequences. The prospects of reward for unethical behavior can also create an opportunity for questionable decisions. For example, a salesperson who is given public recognition and a large bonus for making a valuable sale that he or she obtained through unethical tactics will probably be motivated to use such tactics in the future, even if such behavior goes against the salesperson's personal value system. If 10 percent of employees report observing others at the workplace abusing drugs or alcohol, then the opportunity to engage in these activities exists if there is a failure to report and respond to this conduct.

The opportunity that employees have for unethical behavior in an organisation can be eliminated through formal codes, policies, and rules that are adequately enforced

by management. For example, financial companies - such as banks, savings and loan associations, and securities companies - have developed elaborate sets of rules and procedures to avoid the opportunity for individual employees to manipulate or take advantage of their trusted position. In banks, one such rule requires most employees to take a vacation and stay out of the bank a certain number of days every year so that they cannot be physically present to cover up embezzlement or other diversion of funds. This rule prevents the opportunity for inappropriate conduct. ,

#### **5. Top Management's Leadership on Ethical Issues:**

Top managers provide a blueprint for what a firm's corporate culture should be. If these leaders fail to express desired behaviours and goals, a corporate culture will evolve on its own but will still reflect the values and norms of the company. Leadership, the ability or authority to guide and direct others toward achievement of a goal, has a significant impact on ethical decision making because leaders have the power to motivate others and enforce the organisation's norms and policies as well as their own viewpoints. Leaders are key to influencing an organisation's corporate culture and ethical posture. In the long run, if stakeholders are not reasonably satisfied with a company's leader, he or she will not retain a leadership position. A leader must have not only his or her followers' respect but also provide a standard of ethical conduct to them.

#### **6. The Influence of Co-Workers:**

It refers to the idea that people learn ethical or unethical behaviour while interacting with others who are part of their role-sets or belong to other intimate personal groups. The learning process is more likely to result in unethical behavior if the individual associates primarily with persons who behave unethically. Associating with others who are unethical, combined with the opportunity to act unethically, is a major influence on ethical decision making.

#### **7. Whistle-Blowing:**

Whistle-blowing means exposing an employer's wrongdoing to outsiders (external to the company) such as the media or government regulatory agencies. The term

whistle blowing is also used for internal reporting of misconduct to management, especially through anonymous reporting mechanisms, often called hotlines. Whistle-blower laws have provisions against retaliation and are enforced by a number of government agencies. Interpersonal conflict ensues when employees think they know the right course of action in a situation, yet their work group or company promotes or requires a different, unethical decision. In such cases, employees may choose to follow their own values and refuse to participate in the unethical or illegal conduct. If they conclude that they cannot discuss what they are doing or what should be done with their co-workers or immediate supervisors, these employees may go outside the organisation to publicize and correct the unethical situation.

#### **8. Individual Factors:**

Many individual factors affect a person's ethical behavior at work, such as knowledge, values, personal goals, morals and personality. The more information that you have about a subject, the better chance you will make an informed, ethical decision. For example, what if you had to decide whether to approve building a new company store? What if you did not have the knowledge that the store would disturb an endangered species nest? Without the appropriate knowledge, you could be choosing an unethical path.

**VALUES** are an individual's judgment or standard of behaviour. They are another individual factor that affects ethical behaviour. To some people, acting in an improper way is just a part of doing business. Would you feel that it is ethical to make up lies about your competitor just to win a contract? Some people's standard of behaviour will feel that lying for a business financial win is not unethical.

**MORALS** are another individual characteristic that can affect an individual's ethics. Morals are the rules people develop as a result of cultural norms and values and are, traditionally, what employees learn from their childhood, culture, education, religion, etc. They are usually described as good or bad behaviour. Would you have good morals if you pushed a product on a customer that you knew was not going to help solve a problem? Many ethical work situations will also be affected by a person's goals. Which characteristics do you feel are worthy to aspire to? Is financial gain

ranked ahead of good character or integrity? If your personal goals are about acquiring wealth no matter what the consequence, then you might act unethical in the future. Lastly, an **EMPLOYEE'S PERSONALITY** plays an important factor in determining ethical behavior. Do you enjoy risk or do you prefer the safe route? Individuals who prefer to take risks tend to have a higher chance of unethical conduct at work. For example, if you are willing to risk dumping chemicals into a nearby water supply to launch a profitable drug, then your riskiness could end up creating health issues in local citizens for the sake of financial gain.

### **3.6 MEANING OF JOB DISCRIMINATION AND ITS NATURE**

It's never ethical to discriminate in the workplace. Ethical discrimination may result in the breeding of ill feelings at work, as well as reduced productivity. To eliminate these ramifications, small-business owners need to put forth increased effort in curbing ethical discrimination in the employment sector. Discrimination based on a person's ethnicity, race or culture may manifest itself in a number of ways in the workplace. For example, when the policies for a business discriminate against persons of certain ethnicities or races, or when an individual receives unequal treatment due to his ethnicity, this is known as disparate impact and disparate treatment, respectively. This may include grouping employees based on race and having differing standards on promotions, punishment, and hiring and placement of employees based on ethnicity, race or cultural orientation.

We all discriminate for and against people. It's perfectly rational to discriminate between applicants for a job and to only hire those who are the most qualified based on merit. However, there are irrational and illegitimate forms of discrimination, such as racism and sexism. There is rarely (or never) reason to discriminate against people purely on the basis of religious or political views, sexual orientation, age or ethnicity. Job discrimination is when business decisions, policies, or procedures are at least partially based on illegitimate forms of discrimination that benefit or harm certain groups of people. Refusing to hire black people, paying women less than men for comparable work, and refusing to give homosexuals promotions are all egregious forms of job discrimination. Not all discrimination is intentional or conscious. Sometimes people favor some groups of people over others as a matter of - personal preference, or

unconsciously accept stereo types. Sometimes no one in particular is prejudiced, but the policies or procedures of an organization are prejudiced. A blatant example would be a policy that states that women can't get "supervisory positions because "the boys in the company don't like to take orders from females" (ibid.). Not all examples are this obvious. For example, some states required a literacy test for voters and many blacks were given a poor education and couldn't pass the literacy tests. Literacy tests (and similar academic tests) used for job applications could be discriminatory for similar reasons when it doesn't directly measure the relevant qualifications concerning the job.

The root meaning of the term discriminate is "to distinguish one object from another," a morally neutral and not necessarily wrongful activity. However, in modern usage, the term is not morally neutral; it is usually intended to refer to the wrongful act of distinguishing illicitly among people not on the basis of individual merit, but on the basis of prejudice or some other invidious or morally reprehensible attitude. This morally charged notion of invidious discrimination, as it applies to employment. In this sense, to discriminate in employment is to make an adverse decision (or set of decisions) against employees (or prospective employees) who belong to a certain class because of morally unjustified prejudice toward members of that class. Thus, discrimination in employment must involve three basic elements.

First, it is a decision against one or more employees (or prospective employees) that is not based on individual merit, such as the ability to perform a given job, seniority, or other morally legitimate qualifications.

Second, the decision derives solely or in part from racial or sexual prejudice, false stereotypes, or some other kind of morally in justified attitude against members of the class to which the employee belongs.

Third, the decision (or set of decisions) has a harmful or negative impact on the interest of the employees, perhaps costing those jobs, promotions, or better pay.

### **3.6.1 FORMS OF DISCRIMINATION**

A helpful framework for analyzing different forms of discrimination can be

constructed by distinguishing the extent to which a discriminatory act is intentional and isolated (or non- institutionalised) and the extent to which it is unintentional and institutionalized:

➤ First, a discriminatory act may be part of the isolated (non institutionalized) behavior of a single individual who intentionally and knowingly discriminates out of personal prejudice.

➤ Second, a discriminatory act may be part of the routine behavior of an institutionalised group, which intentionally and knowingly discriminates out of the personal prejudices of its members.

➤ Third, an act of discrimination may be part of the isolated (non institutionalised) behaviour of a single individual who unintentionally and unknowingly discriminates against someone because the individual unthinkingly adopts the traditional practices and stereotypes of the surrounding society.

➤ Fourth, a discriminatory act may be part of the systematic routine of a corporate organisation or group that unintentionally incorporates into its formal institutionalized procedures practices that discriminates against women or minorities.

### **3.7 ETHICAL ARGUMENTS AGAINST DISCRIMINATION**

#### **Discrimination: It's Extent**

How do we estimate whether an institution or a set of institutions is practicing discrimination against a certain group? We do so by looking at statistical indicators of how the members of that group are distributed within the institution. A prima facie indication of discrimination exists when a disproportionate number of the members of a certain group hold the less desirable positions within the institutions despite their preferences and abilities.

Three kinds of comparisons can provide evidence for such a distribution:

(a) Comparisons of the average benefits the institutions bestow on the discriminated group with the average benefits the institutions bestow on other groups,

(b) Comparisons of the proportion of the discriminated group found in the

lowest levels of the institutions with the proportions of other groups found at those levels and

(c) Comparisons of the proportions of that group that holds the more advantageous positions with the proportions of other groups that hold those same positions.

### **Discrimination: Utility, Rights, and Justice**

The arguments mustered against discrimination generally fall into three groups:

(a) Utilitarian arguments, which claim that discrimination leads to an inefficient use of human resources;

(b) Rights arguments, which claim that discrimination violates basic human rights, and

(c) Justice arguments, which claim that discrimination results in an unjust distribution of society's benefits and burdens.

#### **➤ Utility**

The standard utilitarian argument against racial and sexual, discrimination is based on the idea that a society's productivity will be optimized to the extent that jobs are awarded on the basis of competence (or "merit"). Different jobs, the argument goes, require different skills and personality traits if they are to be carried out in as productive a manner as possible. Utilitarian arguments of this sort, however, have encountered two kinds of objections. First, if the argument is correct, then jobs should be assigned on the basis of job related qualifications only so long as such assignments will advance the public welfare. Second, the utilitarian argument must also answer the charge of opponents who hold that society as a whole may benefit from some forms of sexual discrimination.

#### **➤ Rights**

Kantian Theory, for example, holds that human beings should be treated as ends and never used merely as means. At a minimum, the principle means that each individual has a moral right to be treated as a free person equal to any other person and

that all individuals have a correlative moral duty to treat each individual as a free and equal person. Discriminatory practices violate the principle in two ways. First, discrimination is based on the belief that one group is inferior to other groups. Second, discrimination places the members of groups that are discriminated against in lower social and economic positions: women and minorities have fewer job opportunities and are given lower salaries. Again, the right to be treated as a free and equal person is violated.

➤ **Justice**

John Rawls argued that among the principles of justice that the enlightened parties to the "Social and economic inequalities are to be arranged so that they are attached to offices and positions open to all under conditions of fair equality of opportunity. Discrimination violates this principle by arbitrarily closing off to minorities the more desirable offices and positions in an institution, thereby not giving them an opportunity equal to that of others. Arbitrarily giving some individuals less of an opportunity to compete, for jobs than others is unjust.

### **3.8 DISCRIMINATORY PRACTICES**

Among the practices now widely recognized as discriminatory are the following:

**1. Recruitment Practices:**

Firms that rely solely on the word-of-mouth referrals of present employees to recruit new workers tend to recruit only from those racial and sexual groups that are already represented in their labour force.

**2. Discrimination Based on Race or Ethnicity:**

Discrimination based on race or country of origin is prohibited by law, but that does not mean the practice does not exist. People may experience racial discrimination in the form of harassment around the work place - for example, being called racial slurs or having derogatory remarks made toward them regarding their skin colour or ethnic background. Other forms of racial or ethnic discrimination is not as obvious, and may include preferential or negative treatment, being passed up for a promotion or being paid at a different rate because of race or ethnicity. Employers are not allowed to

enact policies or rules that favour or discriminate against employees that belong to a specific race or ethnic group. Companies also may not discriminate against job applicants because of their race or ethnicity.

#### **4 Screening Practices:**

Job qualifications are discriminatory when they are not relevant to the job to be performed.

#### **4. Discrimination Based on Sex:**

As with racial and ethnic discrimination, sex-based discrimination takes on many forms at work. Sexual harassment is one of the most obvious forms, and may include unwanted sexual advances, propositions or crude remarks toward an employee. Sex-based discrimination may also involve preferential or negative treatment, being passed over for a promotion, or being paid at a different rate because of gender. Companies cannot discriminate against applicants based on their sex; nor can a company enact policies that apply to everyone if the policy has a negative impact on employees of a certain sex. Both men and women can be victims of sex-based workplace discrimination.

#### **5. Promotion Practices:**

Promotion, job progression, and transfer practices are discriminatory when employees place White males on job tracks separate from those open to women and minorities.

#### **6. Conditions of Employment:**

Wages and salaries are discriminatory to the extent that equal wages and salaries are not given to people who are doing essentially the same work.

#### **7. Discharge:**

Firing an employee on the basis of race or sex is a clear form of discrimination.

#### **8. Discrimination Based on Religion:**

Discrimination based on, religion involves treating a person unfairly because of his religious affiliation, and is prohibited by law. As with other forms of discrimination, religious discrimination includes harassment and preferential or negative treatment. By law, employers must make reasonable accommodations for religious employees, regardless of their religion. This may include flexible scheduling to allow an employee his day of worship off; allowing an employee to wear garments associated with her religion; or allowing people to follow a religion's grooming policies, so long as it does not cause an undue hardship on the business. For example, a Jewish man must be allowed to wear a yarmulke to work if he so chooses. A company cannot force its employees to attend a religious service or participate in religious activities.

#### **9. Discrimination Based on Disability:**

The Americans with Disabilities Act prevents employers from discriminating against people with disabilities, so long as they are qualified to perform their job. This does not mean an employer is required to hire everyone with a disability, but so long as there is no undue hardship, employers must make reasonable accommodations for employees with disabilities. For example, an employee confined to a wheelchair may be given a desk that fits with it. Harassment toward employees with disabilities is prohibited by law, as is preferential or negative treatment because of their condition. When interviewing, the law prohibits employers from asking applicants about their disabilities. Once a job has been offered, a company can require applicants to answer medical questions or pass a medical exam, but these must be required of all employees, and not just those who are disabled.

#### **10. Discrimination Based on Age:**

The federal Age Discrimination in Employment Act prevents companies from discriminating against applicants and employees over the age of 40, meaning these employees may not be treated unfavourably. Favourable treatment of employees over 40, however, is allowed. There are no federal laws in place to protect workers under 40 from age-based discrimination, though some states have their own laws that do. Companies may favor older workers over younger workers.

### **3.8.1 AFFIRMATIVE ACTION FOR DISCRIMINATION PRACTICES**

To rectify the effects of past discrimination, many employers have instituted affirmative action programs designed to achieve a more representative distribution of minorities and women within the firm by giving preference to women and minorities. Affirmative action programs, in fact, are now legally required of all firms that hold a government contract. What does an affirmative action program involve? The heart of an affirmative action program is a detailed study (a "utilisation analysis") of all the major job classifications in the firm.

Arguments that defend affirmative action as a form of compensation are based on the concept of compensatory justice. This implies that people have an obligation to compensate those whom they have intentionally and unjustly wronged. The difficulty with arguments that defend affirmative action on the basis of the principle of compensation is that the principle requires that compensation should come only from those specific individuals who intentionally inflicted a wrong, and it requires them to compensate only those specific individuals whom they wronged. Compensatory justice, however, does not require that compensation should come from all the members of a group that contains some wrongdoers, nor does it require that compensation should go to all the members of a group that constrains some injured parties.

### **3.8.2 ARGUMENTS FOR AND AGAINST POSITIVE DISCRIMINATION**

The concept of positive discrimination is a controversial one and something that usually causes heated debate. Those who advocate against positive discrimination point to the fact that discrimination of any kind is wholly wrong. They claim that while it is unfortunate that certain minority groups have been prejudiced against in the past, by implementing a system of positive discrimination the problem is not helped.

It is argued by those against positive discrimination that not only is it wholly unfair to favour somebody on the basis of their background, but also that the whole process leads to more division in society. The reasoning for this is that people who have failed to get jobs as a result of positive discrimination, or even those that haven't but assume

they have, may resent certain parts of society that have been favoured, and society as a whole suffers as a result.

Proponents of positive discrimination point to the fact that the best, or at least most well-paid jobs in society tend to go to people from majority social groups. While a growing there is still a small percentage of these people being represented in top-level jobs. This seems to show that clearly they are still being prejudiced against (if not directly, then by the system). Supporters of positive discrimination claim that this means there is a problem with the way top jobs are filled and therefore positive discrimination, used when there are two similarly skilled candidates, is the best way to resolve this.

### **3.9 SEXUAL HARASSMENT**

The EEOC has defined sexual harassment in its guidelines as:

Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature when: Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, or Submission to or rejection of such conduct by an individual is used as a basis for employment decisions affecting such individual, or Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment.

Unwelcome Behavior is the critical word. Unwelcome does not mean "involuntary." A victim may consent or agree to certain conduct and actively participate in it even though it is offensive and objectionable. Therefore, sexual conduct is unwelcome whenever the person subjected to it considers it unwelcome. Whether the person in fact welcomed a request for a date, sex-oriented comment, or joke depends on all the circumstances. Sexual harassment includes many things:

- Actual or attempted rape or sexual assault.
- Unwanted pressure for sexual favors.
- Unwanted deliberate touching, leaning over, cornering, or pinching.

- Unwanted sexual looks or gestures.
- Unwanted letters, telephone calls, or materials of a sexual nature.
- Unwanted pressure for dates.
- Unwanted sexual teasing, jokes, remarks, or questions.
- Referring to an adult as a girl, hunk, doll, babe, or honey.
- Whistling at someone.
- Cat calls.
- Sexual comments.
- Turning work discussions to sexual topics.
- Sexual innuendos or stories.
- Asking about sexual fantasies, preferences, or history.
- Personal questions about social or sexual life.
- Sexual comments about a person's clothing, anatomy, or looks.
- Kissing sounds, howling, and smacking lips.
- Telling lies or spreading rumors about a person's personal sex life.
- Neck massage.
- Touching an employee's clothing, hair, or body.
- Giving personal gifts.
- Hanging around a person.
- Hugging, kissing, patting, or stroking.
- Touching or rubbing oneself sexually around another person.
- Standing close or brushing up against a person.

- Looking a person up and down (elevator eyes).
- Staring at someone.
- Sexually suggestive signals.
- Facial expressions, winking, throwing kisses, or licking lips.
- Making sexual gestures with hands or through body movements.

### 3.9.1 TYPES OF SEXUAL HARASSMENT

Sexual harassment can take a variety of forms. It includes both physical violence and more subtle forms of violence such as coercion or the creation of a hostile work environment. A hostile work environment includes situations, for example, when the victim is not appointed to important committees, does not receive information about training opportunities or is not considered for promotion because of family responsibilities. This type of sexual harassment is difficult to document but still can significantly affect women's work and career paths.

U.S. law describes two different forms of sexual harassment:

- (1) quid pro quo, and
- (2) hostile work environment

**(1) Quid Pro Quo** is Latin for "this for that" or "something for something" and refers to an exchange. In this case, the exchange is between employees, where one provides sexual favours in exchange for something else, such as favorable treatment in work assignments, pay or promotion. Quid pro quo sexual harassment occurs when employment decisions and conditions are based upon whether an employee is willing to grant sexual favors. Hiring, promotions, salary increases, shift or work assignments, and performance expectations are some of the working benefits that can be made conditional on sexual favors.

**(2) A Hostile Work environment** is one in which unwelcome conduct of a sexual nature creates an uncomfortable work environment for some employees. Examples of this conduct include sexually explicit talk, sexually provocative photographs, foul or hostile

language or inappropriate touching.

### **3.9.2 IMPACT OF SEXUAL HARASSMENT ON WORK ENVIRONMENT**

The affront to personal dignity that occurs as a result of sexual and other types of harassment, by definition, detrimentally affects the work environment. It is important to understand that the intent of a person's behaviour, whether the behaviour is face-to-face or behind another employee's back may be irrelevant in determining whether or not a behavior is sexual harassment. What matters is the impact of the behavior on the work environment. Regardless of intent, the behavior may be judged on its impact upon the work environment. Therefore, the statement that the conduct was not intended to have a negative consequence is not a valid defense of harassing behaviour,

A hostile environment usually requires a pattern of offensive conduct. Isolated or infrequent incidents of extremely offensive sexual or sex-based verbal conduct, particularly when perpetrated by a supervisor or coupled with physical conduct, however, may create a hostile environment.

It is also important to note that the boundaries of the work environment are not determined by location. Instead, the boundaries of the work environment are defined by whether or not the person is doing something related to his or her job.

For this reason, harassment can occur in locations outside the traditional work site. The workplace includes any place where employees happen to be for work related purposes. This includes traveling to work-related conferences or branch offices, attending staff parties, attending conferences, or at the home of a colleague for a work-related activity. The key to understanding the boundaries of the work environment is to consider whether the person is in a specific place because of their job. If the answer is "yes" than any unwanted and offensive sex-based conduct could be considered sexual harassment.

U.S. and Canadian law, however, distinguish between the work environment and a situation in which colleagues or employees meet in a purely private setting, such as while attending a private party, while on vacation, or while attending a conference as a hobby. Such circumstances are not considered "work". If harassment occurs in

these situations, U.S. and Canadian law does not protect people from the harassment, unless adverse consequences are brought back to the work environment. For example, a sexual solicitation made at a private party by a person who works for the same employer would not give rise to a complaint under the U.S. and Canadian legal systems unless the person who turned down the solicitation later suffered adverse consequences at work.

### **3.9.3 PREVENTION OF SEXUAL HARASSMENT**

The most effective weapon against sexual harassment is prevention. Harassment does not disappear on its own. In fact, it is more likely that when the problem is not addressed, the harassment will worsen and become more difficult to remedy as time goes on.

#### **1. Employer Responsibilities**

The burden of preventing sexual harassment rests on the employer. In the United States, Canada and in some European Union Member States, employers are responsible for providing their employees with a work environment that does not discriminate and is free of harassment. Employers are, therefore, required by law to take steps to prevent and deal with harassment in the workplace. If the employer has not taken all reasonable steps to prevent and deal with harassment in the workplace, the employer may be liable for any harassment which does occur, even if unaware that the harassment was taking place. The United States, in particular, has a well articulated standard of employer liability for sexual harassment committed by an employee. Most successful preventive strategies and plans on sexual harassment require the involvement of all those concerned and a clear statement of intent. The statement of intent should reflect a real commitment from all parties concerned to recognize the importance of the fight against sexual harassment in the workplace. This is usually accompanied by the establishment of a written policy.

Anti-harassment policies explain what harassment is, tell all employees that harassment will not be tolerated, and set out how employers and employees should respond to incidents of harassment. Anti-harassment policies should also set forth a detailed mechanism by which employees can make complaints when sexual harassment

occurs. Having an anti-harassment policy does not mean that there will be no harassment complaints. However, having an effective policy and procedures, coupled with anti harassment training for all staff, will assist in preventing harassment and support individuals who are being harassed to come forward and ensure that the problem is addressed quickly and effectively. In the United States, courts have held that an employer who responds quickly and effectively to a complaint by taking steps to remedy the situation and prevent future harassment will not be liable to the same extent, if at all, as an employer who fails to adopt such steps. The following steps can be helpful to stop the workplace sexual harassment.

- Make it clear that this is a workplace where harassment will not be tolerated.
- Provide education and information about harassment to all staff on a regular basis. The circulation of information, open communication and guidance is of particular importance in removing the taboo of silence which often surrounds cases of sexual harassment. Information sessions, personnel meetings, office meetings, group discussion and problem-solving groups can prove very effective in this respect. Staff should also be informed of the best way of coping with aggression by means of guidelines and staff development programs on sexual harassment at work.
- Develop an anti-harassment policy together with employees, managers, and union representatives.
- Communicate the policy to all employees
- Make sure that all managers and supervisors understand their responsibility to provide a harassment free work environment.
- Ensure that all employees understand the policy and procedures for dealing with harassment - new and long-term employees alike this involves training, information and education.
- Show you mean it make sure the policy applies to everyone, including managers and supervisors.
- Promptly investigate and deal with all complaints of harassment.

- Appropriately discipline employees who harass other employees.
- Provide protection and support for the employees who feel they are being harassed
- Take action to eliminate discriminatory jokes, posters, graffiti, e-mails and photos at the work site.
- Monitor and revise the policy and education/information programs on a regular basis to ensure that it is still effective for your workplace.

Employers should provide a mechanism for addressing sexual harassment in a confidential and sensitive manner after a grievance has been filed. A well constructed and well-implemented plan within an organization may stop inappropriate conduct before it creates a problem for individual employees or the company.

## **2. Employee Responsibilities**

In addition to the employer's responsibility to provide a non-discriminatory and non-violent workplace atmosphere, employees must also assume an active role in the prevention of sexual harassment. Employees should commit to do the following:

### **I. Understand**

- Obtain and become familiar with the organization's policy on sexual harassment;
- Examine one's feelings, attitudes, and behaviors in relation to sexual harassment;
- See that behavior corresponds with the expectations and behavioral requirements of the organisation's sexual harassment policy.

### **II. Observe**

- Be aware and conscious of engaging in potential sexual-harassment behaviors or incidents at work;
- Be sensitive to individuals who may be offended by the verbal and

non-verbal behavior of others;

- Be aware of subtle forms of sexual harassment;
- Watch for and discourage sexual behaviors that negatively affect work.

### **III. Examine**

- Pay attention to the response of others in order to avoid unintentional offense;
- Do not assume that employees or co-workers enjoy or want to hear risque jokes or sexually oriented comments about their appearance, or be touched, stared at, flirted with, or propositioned for dates or sexual favors;
- Ask yourself if your verbal or non-verbal behaviors might have a negative impact on other co-workers' attitudes toward work;
- Examine your behaviors, gestures, and comments. Ask yourself, "could i unknowingly be encouraging sexual interplay by the way i interact or communicate?"
- Do not take sexual harassment lightly. If you think you are being sexually harassed by an individual or a group, do not accept it as a joke. Do not encourage the harasser by smiling, laughing at his/her jokes, or flirting back. Let the harasser know that you do not enjoy and do not want this type of attention.

### **IV. Confront**

- If possible, confront the sexual harasser immediately. Tell him/her that you find that type of attention offensive;
- If possible, tell the harasser that the behavior affects you negatively and has the potential of negatively affecting you job;
- If possible, tell the harasser what behaviors (gestures, physical or verbal) behaviors you find offensive.

## **V. Resolve**

- Seek confidential advice to develop your personal resolution strategy;
- Consider writing a letter to the harasser and keep a copy for yourself;
- Document all the incidents of sexual harassment. Be detailed, precise about date, time, location, and person/persons involved.

## **VI. Support**

- If you know someone who is being harassed, give him or her, your support. Encourage the recipient to talk about it and to take immediate action to stop it;
- If you actually see or hear an incident of sexual harassment or are subjected to an offensive environment, you can also take the appropriate steps to resolve the harassment or co-file with the complainant;
- When a recipient files a complaint, if possible, support him or her throughout the complaint process.

### **3.9.4 THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.**

The following are some highlights of the act:

- The Act defines sexual harassment at the work place and creates a mechanism for redressal of complaints. It also provides safeguards against false or malicious charges.
- The definition of "aggrieved woman", who will get protection under the Act is extremely wide to cover all women, irrespective of her age or employment status, whether in the organised or unorganised sectors, public or private and covers clients, customers and domestic workers as well.
- While the "workplace" in the Vishaka Guidelines is confined to the traditional office set-up where there is a clear employer-employee relationship, the Act goes much further to include organisations, department, office, branch unit etc. in the

public and private sector, organised and unorganised, hospitals, nursing homes, educational institutions, sports institutes, stadiums, sports complex and any place visited by the employee during the course of employment including the transportation.

➤ The Committee is required to complete the inquiry within a time period of 90 days. On completion of the inquiry, the report will be sent to the employer or the District Officer, as the case may be, they are mandated to take action on the report within 60 days.

➤ Every employer is required to constitute an Internal Complaints Committee at each office or branch with 10 or more employees. The District Officer is required to constitute a Local Complaints Committee at each district, and if required at the block level.

➤ The Complaints Committees have the powers of civil courts for gathering evidence.

➤ The Complaints Committees are required to provide for conciliation before initiating an inquiry, if requested by the complainant.

➤ Penalties have been prescribed for employers. Non-compliance with the provisions of the Act shall be punishable with a fine of up to Rs. 50,000. Repeated violations may lead to higher penalties and cancellation of license or registration to conduct business.

➤ Sexual harassment cases at workplace, including against domestic help, will have to be disposed of by in-house complaint committees within 90 days failing which a penalty will be imposed and repeated non-compliance of the provisions of the law can even lead to cancellation of license or registration of the organisation.

➤ Sexual harassment at workplace may lead to termination of service of the accused, withholding of promotions and increments, and payment of reasonable compensation, to the complainant. According to the rules, if allegations against the accused turn out to be false and after inquiry, are found to be made with a malicious intent, the complainant may face similar penal provisions as listed for the accused.

- Sexual harassment, according to the law includes unwelcome acts or behaviour like physical contact and advances, a demand or request for sexual favours or making sexually coloured remarks or showing pornography.
- The law states every organisation should constitute an internal complaints committee which should not have less than two members amongst employees preferably those who have had experience in social work or legal knowledge.
- It should have one member from non-governmental organisations or association familiar with the issues relating to sexual harassment and should be presided by a senior level women employee at the workplace. 50 percent of the nominated members must be women.
- An employer can be fined Rs. 50,000 in case of violation of his duties under the act.
- The rules suggest the constitution of a local complaints committee which should have a social worker with five years of experience in the relevant field, a person familiar with labour, employment, civil or criminal law. As per the notification, the act has come into force with effect from December 9, 2013.

### **3.10 PREVENTION OF HARRASSMENT**

The most effective weapon against harassment is prevention. Harassment does not disappear on its own. In fact, it is more likely that when the problem is not addressed, the harassment will worsen and become more difficult to remedy as time goes on.

#### **1. Employer Responsibilities**

The burden of preventing harassment rests on the employer. In the United States, Canada and in some European Union Member States, employers are responsible for providing their employees with a work environment that does not discriminate and is free of harassment. Employers are, therefore, required by law to take steps to prevent and deal with harassment in the workplace. If the employer has not taken all reasonable steps' to prevent and deal with harassment in the workplace,

the employer may be liable for any harassment which does occur, even if unaware that the harassment was taking place. The United States, in particular, has a well-articulated standard of employer liability for harassment committed by an employee. Most successful preventive strategies and plans on harassment require the involvement of all those concerned and a clear statement of intent. The statement of intent should reflect a real commitment from all parties concerned to recognize the importance of the fight against harassment in the workplace. This is usually accompanied by the establishment of a written policy.

Anti-harassment policies explain what harassment is, tell all employees that harassment will not be tolerated, and set out how employers and employees should respond to incidents of harassment. Anti-harassment policies should also set forth a detailed mechanism by which employees can make complaints when harassment occurs. Having an anti-harassment policy does not mean that there will be no harassment complaints. However, having an effective policy and procedures, coupled with anti harassment training for all staff, will assist in preventing harassment and support individuals who are being harassed to come forward and ensure that the problem is addressed quickly and effectively. In the United States, courts have held that an employer who responds quickly and effectively to a complaint by taking steps to remedy the situation and prevent future harassment will not be liable to the same extent, if at all, as an employer who fails to adopt such steps. The following steps can be helpful to stop the workplace harassment.

- Make it clear that this is a workplace where harassment will not be tolerated.
- Provide education and information about harassment to all staff on a regular basis. The circulation of information, open communication and guidance is of particular importance in removing the taboo of silence which often surrounds cases of harassment. Information sessions, personnel meetings, office meetings, group discussion and problem solving groups can prove very effective in this respect. Staff should also be informed of the best way of coping with aggression by means of guidelines and staff development programs on harassment at work.
- Develop an anti-harassment policy together with employees, managers, and union

representatives.

- Communicate the policy to all employees.
- Make sure that all managers and supervisors understand their responsibility to provide a harassment-free work environment.
- Ensure that all employees understand the policy and procedures for dealing with harassment - new and long-term employees alike - this involves training, information and education.
- Show you mean it - make sure the policy applies to everyone, including managers and supervisors.
- Promptly investigate and deal with all complaints of harassment.
- Appropriately discipline employees who harass other employees.
- Provide protection and support for the employees who feel they are being harassed
- Take action to eliminate discriminatory jokes, posters, e-mails and photos at the work site.
- Monitor and revise the policy and education/information programs on a regular basis to ensure that it is still effective for your workplace.

Employers should provide a mechanism for addressing harassment in a confidential and sensitive manner after a grievance has been filed. A well constructed and well-implemented plan within an organisation may stop inappropriate conduct before it creates a problem for individual employees or the company.

## **2. Employee Responsibilities**

In addition to the employer's responsibility to provide a non-discriminatory and nonviolent workplace atmosphere, employees must also assume an active role in the prevention of harassment. Employees should commit to do the following:

### **i. Understand**

- Obtain and become familiar with the organisation's policy on harassment;

- Examine one's feelings, attitudes, and behaviors in relation to harassment;
- See that behavior corresponds with the expectations and behavioral requirements of the organisation's harassment policy.

## **ii. Observe**

- Be aware and conscious of engaging in potential harassment behaviors or incidents at work;
- Be sensitive to individuals who may be offended by the verbal and non-verbal behavior of others;
- Be aware of subtle forms of harassment;
- Watch for and discourage behaviors that negatively affect work.

## **iii. Examine**

- Pay attention to the response of others in order to avoid unintentional offense;
- Do not assume that employees or co-workers enjoy or want to hear jokes or sexually oriented comments about their appearance, or be touched, stared at, flirted with, or propositioned for dates or sexual favors;
- Ask yourself if your verbal or non-verbal behaviors might have a negative impact on other co-workers' attitudes toward work;
- Examine your behaviors, gestures, and comments. Ask yourself, "could I unknowingly be encouraging sexual interplay by the way interact or communicate?"
- Do not take harassment lightly. If you think you are being harassed by an individual or a group, do not accept it as a joke. Do not encourage the harasser by smiling, laughing at his/her jokes, or flirting back. Let the harasser know that you do not enjoy and do not want this type of attention.

## **iv. Confront**

- If possible, confront the harasser immediately. Tell him/her that you find that type of attention offensive;
- If possible, tell the harasser that the behavior affects you negatively and has the potential of negatively affecting your job;
- If possible, tell the harasser what behaviors (gestures, physical or verbal) behaviors you find offensive.

**v. Resolve**

- Seek confidential advice to develop your personal resolution strategy;
- Consider writing a letter to the harasser and keep a copy for yourself;
- Document all the incidents of harassment. Be detailed, precise about date, time, location, and person/persons involved.

**vi. Support**

- If you know someone who is being harassed, give him or her your support. Encourage the recipient to talk about it and to take immediate action to stop it;
- If you actually see or hear an incident of harassment or are subjected to an offensive environment, you can also take the appropriate steps to resolve the harassment or co-file with the complainant;
- When a recipient files a complaint, if possible, support him or her throughout the complaint process.

**3.11 SUMMARY**

To conclude, in addition to the values and customs that represent the culture of an organisation, individual groups within the organisation often adopt their own rules and values and even create subcultures. The main types of group are formal groups- which include committees, work groups, and teams - and informal groups. Informal groups often feed an informal channel of communication called the "grapevine". Group norms are standards of behaviour that groups expect of their members. They help define acceptable

and unacceptable behaviour within a group and especially define the limits on deviating from group expectations. Sometimes group norms conflict with the values and rules prescribed by the organisation's culture. Sometimes an employee's own personal ethical standards conflict with what is expected of him or her as a member of an organisation and its corporate culture. This is especially true given that an organisation's ethical decisions are often resolved by committees, formal groups and informal groups rather than by individuals. When such ethical conflicts are severe, the individual may have to decide whether to leave the organisation.

### **3.12 SELFASSESSMENT QUESTIONS**

1. What are workplace ethics?
2. Is there any difference between ethics and workplace ethics?
3. What are the types of discrimination at workplace?
4. What do you mean by harassment?

### **3.13 IN-TEXT QUESTIONS**

1. Why the adoption of workplace ethics is important for any firm? Explain with its importance.

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2. Write down the factors influencing the workplace ethics? Do they play any role in the working of an organisation?

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3. What are the discrimination practices? What are its various forms of it? What are the various factors which can affect the discrimination policies in the organisation?

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4. What are the responsibilities of employer and employee in prevention of harassment?

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**3.14 FURTHER READING**

1. Business Ethics: Sanjeev K. Bansal, Sandeep K. Bansal, Rama Bansal
2. Business Ethics & Corporate Governance: S. K. Bhalla
3. Business Ethics and Communication: C. B. Gupta
4. Business Ethics: A. K. Gavai
5. Ethics In Management And Indian Ethos: Biswanath Ghosh

**OBJECTIVES**

After going through this lesson, you will be able to understand:

- ethical issues in marketing, need for ethical behaviour in marketing
- social effects of advertising, factors determining advertisement ethics
- concept of consumer protection, its need, machinery for redressal of consumer grievances

**STRUCTURE**

4.1 Introduction

4.2 Marketing: Meaning and Definition

4.3 Ethical Issues in Marketing

4.4 Need for Ethical Behaviour in Marketing

4.5 Measures to Stop Unethical Marketing Practices

4.6 Social Effects of Advertising

4.7 Factors Determining Advertising Ethics

4.7.1 Ethical Implications

4.7.2 Advertising Standards Council of India

4.8 Concept of Consumer and Consumer Protection

#### 4.8.1 Consumer Protection Act & Safeguard of Interest of Consumers

- 4.9 Need For Consumer Protection
- 4.10 Machinery For Redressal Of Consumer Grievances
- 4.11 Summary
- 4.12 SelfAssessment Questions
- 4.13 In-Text Questions
- 4.14 Further Reading

### **4.1 INTRODUCTION**

Company ethics are required in each and every department, but these assume a special importance as far as marketing department is concerned. Companies sell their products by using different marketing tactics and sometimes involve unethical aspects in order to capture the market and increase their market share. Ethical marketing places the focus on the marketer as a moral agent to assume the responsibility for fairly and honestly communicating a product's attributes and benefits within the nature of a truthful relationship. The marketer therefore needs to be trained and held accountable for the practice of integrity in marketing management decision-making. The top management must guide in formulating marketing strategies that are ethically sensitive. The marketing function therefore requires a supportive and courageous executive board when ethical or sustainability-related marketing claims are made. Marketing ethics need greater accountability from marketers for the social and ethical performance of their products and brands and the impact of their communications on consumers and wider society. Integrity in marketing involves reflecting before acting and engaging with others about 'doing the right thing' .

The marketer should act responsibly for fairly and honestly communicating a product's attributes in detail to the customers. In the present era of cut throat competition, it is becoming very much difficult to survive in the market. Therefore, a few companies have

been adopting unethical practices in marketing so as to survive and thrive in the market. Let us first of all discuss meaning of marketing in brief:

#### **4.2 MARKETING: MEANING AND DEFINITION**

Marketing is a much broader concept than just selling. Marketing is the basic reason for the existence of a corporate house. The success of a company heavily depends upon the effectiveness with which its marketing strategies are formulated and implemented. Marketing is basically concerned with knowing the particular, needs and wants of the ultimate consumers, then producing the products to satisfy the identified consumer needs ,so that maximum satisfaction may be provided to the customers and in this way society as a whole may be served. It must be noticed that that marketing concept is consumer oriented.

**According to American Marketing Association(AMA) :** "Marketing may be defined as an organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit organisation and its stakeholders".

**According to Philip Kotler:** Marketing management is the "analysis planning, implementation and control of programmes designed to bring about desired exchanges with target audiences for the purpose of mutual or personal gain. It relies heavily on the adaptation and co-ordination of product, price, promotion and place for achieving effective response".

**Marketing** is traditionally the means by which an organisation communicates to, connects with, and engages its target audience to convey the value of and ultimately sell its products and services. However, since the emergence of digital media, in particular social media and technology innovations, it has increasingly become more about companies building deeper, more meaningful and lasting relationships with the people that they want to buy their products and services. The ever-increasingly fragmented world of media complicates marketers' ability connect and, at the same, time presents incredible opportunity to forge new territory. **Julie Barile** - Vice President of e-Commerce, Fairway Market.

### 4.3 ETHICAL ISSUES IN MARKETING

Marketing practitioners are facing various ethical dilemmas in this era. Marketing ethics are concerned with principles that define acceptable conduct at the marketplace. It is a set of moral conduct which deals with operation and regulation of marketing activities. It is all about company's behaviour while dealing with consumers and prospective customers. Companies must try to adhere to socially responsible and ethical practices in the marketing of their products.

Marketing is chiefly comprised of four P's i.e. product, price, place and promotion (as envisaged by Jerome McCarthy, the well known American Professor of Marketing). Marketing mix is popularly known as 4Ps of marketing. Here each of them has been discussed with respect to ethical issues in marketing.

#### 4P's of Marketing Mix given by Jerome McCarthy

Product	Price
Place	Promotion

#### **PRODUCT:**

Product is a tangible item which a company produces and sells to its target market. A number of times, product is developed by using unethical methods. Sometimes, the companies may also market adulterated products to earn more profit at the cost of health of the consumer. The salesmen are instructed to give wrong details about the advantages of using the product and avoid discussing the inherent limitations of the product in question. In this way, the companies perform unethical acts to gain customers attraction and loyalty. As far as product aspect is concerned, the following practices adopted by the companies fall under unethical practices in marketing:

1. These days companies use various strategies such as counterfeiting, imitating, cloning and adapting to duplicate another company's product. Such practices mislead the customers. It is ethically wrong to start producing the very successful products of other companies.
2. Companies using low quality ingredients which may harm the customers.

Sometimes, the ingredients used may differ from what is conveyed. For example, once Nestle produced baby -food stating that it contains less sugar than apple and more nutrients than that of apple, But in fact it was not so at all.

3. Companies adopting unethical practices may slightly change the products' brand name or packaging to befool the customers by marketing the inferior products at the cost of human health. Companies may indulge in marketing of adulterated or spurious items. To make more profits, sometimes companies may market shoddy, harmful, or unsafe products. These can cause bodily harm, illness or even death in some extreme cases.

4. Companies may indulge in practices like intentionally holding back attractive or advanced functional features of a product, and introducing them later to make the old model, obsolete before time.

5. Companies may hide the critical information about the product that has major implications as far as the decision to purchase that particular product is concerned.

### **PRICE:**

Price is the most important factor to be considered while studying the ethical issues in marketing. Price must be fair to well serve the interest of both the company and the customer. Companies may try to make more profits by selling unjustifiably. Various ethical issues with respect to price have been discussed below:

1. Companies may adopt deceptive pricing intending to attract the customer into the store showing low prices of the product, and when the customer comes there, then trying to influence them to buy the higher priced products.

2. Companies may adopt manipulative pricing to take advantage of the consumer psychology while selling its products.

3. Companies may adopt Price Discrimination tactics, meaning thereby selling identical goods at different prices to different customers. It may occur due to excessive product demand, high material cost or customers' affordability factor.

4. Price skimming strategy in which marketers initially charge quite high prices for their products then lower down prices over the time may be used by the company to recover the cost and reap the benefits before other competitors enter with their low-priced products.

5. Price dumping may be adopted by the companies to attract customers towards the products by offering it at a price lower than its production cost, thus, making them habitual of using your product.

6. Companies may use price fixing to get unethical benefits. Price fixing is an agreement among firms in an industry to set prices of their products at certain pre defined levels by which these firms restrain the growth of a competitive market place.

### **PROMOTION:**

Promotion of a product is very much essential. In fact, it may make or ruin a product in the competitive market. Promotional activities includes advertising publicity, sales promotion and personal selling. But the first and foremost part here is advertising. Advertising is often used to generate awareness and to build brand image. In promotion a number of tools are there which are in fact unethical but are called marketing tactics. Some of these issues are discussed below:

1. A number of times the advertisements are misleading and claims are very much exaggerated. The product benefits and features are very much exaggerated while in actual, they are not like that. Moreover, constant exposure to advertisements may even influence our senses?

2. Sometimes advertising is unethical causing harm to society in one form or the other directly or indirectly. Children are very much attracted by these advertisements and sometimes it results in very big loss to the children.

3. Celebrity endorsement in advertising is another ethical issue, when they play with the emotions of public to sell their products and services.

4. Using Surrogate Advertising to make people aware of a brand image of a particular product and then promoting a different product of the same brand may raise a lot of ethical

issues. Generally companies resort to such type of advertisement for the purpose of reminding their old customers regarding the products the advertisements for which have now been banned.

5. High-pressure selling tactics may be used by companies by offering very high incentives to its staff. It persuades people to buy goods they neither need nor want.

**PLACE:**

It refers to all distribution and logistics aspects related to how products will be made available by the producers to the end user. Marketers must therefore consider the type, size and location of retailers and possibly also the training of retail staff. The ultimate success of a company's marketing effort depends heavily upon the effectiveness of its distribution network and physical distribution which includes transportation, ware housing, material handling and packaging. A few ethical considerations in this regard are as under:

1. Climates differ according to geographical area, so one product that suits citizen of one country may not go well with other citizens. It is unethical to be less concerned with respect to geographic region.

2. High costs of distribution channels, if not selected judiciously may ultimately result in increase in the price which is ultimately to be borne by the ultimate consumer.

3. Method of preservation or storage for the products should be ethical. For consumables, special attention is required to be paid otherwise it may adversely affect the health of the citizens.

4. Multinational companies sell their products with different prices at different countries in order to make large money.

5. Sometimes a product is sold even when it has taken a long time to reach the ultimate customer and in the meantime, its date for use has already expired. Such a product, if used, will adversely impact the health of the buyer. Therefore, it is needed that there should be a system whereby distributors may withdraw such expired products from the market.

6. Counterfeiting may be resorted to by the companies. IT revolution has facilitate the distribution of counterfeit products.

7. Not using environmentally friendly packaging by promoting bio-degradable material for packaging.

8. In case of overseas distribution, special concentration is needed in case of import-export packages, because due to cultural and educational differences, the information displayed may be misunderstood.

9. The products sent through bulk pack to the distributors must match, otherwise it will cause a loss to him, and the reputation of the company in the market will suffer.

#### **4.4 NEED FOR ETHICAL BEHAVIOUR IN MARKETING**

Ethics are very much needed and important in all the Departments of the company, but these occupy a special place as far as marketing aspect is concerned because marketing is a process that directly interfaces with the customers and the society at large.

##### **The following points throw light on importance of ethics in marketing:**

1. It is mainly through its products and services, that a company reaches the ultimate customers, thus, companies enforcing higher ethical standards in marketing are able to attract and retain much more customers in the long run and in this way, brand name may be established.

2. Well established and enforced ethical standards have the power to serve the consumers the best possible way, thus enhancing the goodwill of the company. A better public image may be created. It will result in increase in sales and profitability of a company by distinguishing it's brand, products and services from the competitors.

3. Ethical standards adopted in marketing created public confidence in marketing and customer loyalty may be gained benefitting company in a number of ways.

4. By adopting ethics in marketing, a company will really honour its customers. In this way customers will get better deals. There will be much less legal issues related to Consumer Protection Act.

5. By adopting ethical standards in marketing, a company will try to protect consumers. Delighted consumers will prove to be an indispensable instrument for success in present era of cut throat competition. In this way, a company is able to increase its market share and, of course, profitability.

6. By acting ethically and by satisfying their customers, a company may save itself and the whole industry from attracting government attention to make stricter laws and regulations.

7. In order to reverse the declining public confidence in marketing practices, marketing team must demonstrate that they are aware of their ethical responsibility towards their valuable customers by setting and enforcing high ethical standards in the field of marketing.

#### **4.5 MEASURES TO STOP UNETHICAL MARKETING PRACTICES**

Now days, the consumers are being made aware of their rights. Consumers must be active and vigilant to protect their interests. The following suggestions may be given to the consumers while buying a product or while availing a service:

1. Purchase product or avail services only after their complete scrutiny and not just because of attractive advertisements.
2. Check print of MRP, quantity and expiry date of the product from the packet.
3. Collect bill at the time of purchase.

There are certain standards which must be followed in marketing to avoid ethical predicaments. Such measures are very much necessary to save the customers from

unscrupulous and unethical marketing practices Social marketers should remain truthful, protect privacy and should be fair. The following measures in this regard may be discussed:

1. Although Consumer Protection Act is there to protect the consumers from unfair and unethical marketing practices, but still the menace of unethical marketing practices is beyond control. There is an urgent need for reviewing the important provisions of this Act.

2. There is a ban by Govt., on advertisements and other promotional campaigns for tobacco products in India. Even surrogate advertisements of liquor and tobacco products have been banned in India. The Cable Act clearly states, "No broadcaster is permitted to show an advertisement which promotes directly or indirectly, sale or consumption of cigarettes, tobacco products, wine, alcohol, liquor or other intoxicants."

3. Advertising Standards Council of India watches the unethical issues relating to advertising in India.

#### **4.6 SOCIAL EFFECTS OF ADVERTISING**

It is true that the line of demarcation between ethical and unethical advertising is very thin. It depends upon the values, opinions, perceptions and judgment of the viewer. According to the Advertising Federation of America,

(a) Good advertising aims to inform the consumer and help him to buy more intelligently.

(b) Good advertising tells the truth, avoids mis-statement of facts as well as possible deception through implication or omission. It makes no claims which cannot be met in full and without further qualification. It uses testimonials of competent witnesses.

(c) Good advertising conforms to the generally accepted standards of good taste. It seeks public acceptance on the basis of the merits of the product or service advertised rather than by the disparagement of competing goods. It tries to avoid practices that are

offensive or annoying.

(d) Good advertising recognises both its economic responsibility to help reduce distribution costs and its social responsibility in serving the social interest

There is nothing intrinsically good or intrinsically evil about advertising. It is a tool, an instrument: it can be used well, and it can be used badly. The positive as well as negative impact of advertising has been described as under.

#### **POSITIVE IMPACT OF ADVERTISEMENT ON SOCIETY:**

1. Advertising helps in generating more and more employment opportunities and creating diverse kinds of jobs. It provides jobs to artists, screen printers, block-makers, script-writers, painter, TV professionals, designers and film makers etc. In the modern era, advertising has become a profession. Some companies do only advertising job. Some of society's most creative minds work for advertising agencies. The world of advertising is a vibrant source of new ideas and innovative visual arts in particular.

2. Advertising makes people aware of the new and improved versions of various products, they use these goods, and their standard of living gets a boost. Advertising is helpful in raising income of the people. It has a positive effect on their standard of living. Advertising can stimulate developing countries to rise from poverty to a reasonable standard of living.

3. Advertising stimulates the development of new and better products. Advertisements act as most efficient tool of marketing and provide great deal of awareness to countrymen about availability of products in current markets. It enhances consumer approach and knowledge in a more precise way.

4. As we are aware that advertising provides companies a way to expose their products to people and hence maximise their sales in this world of cut-throat competition.

5. Advertising can also be used to generate awareness among public that which product they should use and which product they should not use.

6. It can also be used to educate people about certain diseases like AIDS etc. Even

the backward people are now aware of many diseases and their remedies. In India, we are able to control diseases like Polio only because of mass advertising through various means of advertisement. Its punch line, "Do Boond Zindagi Ki" is known to almost each and everyone in India.

7. Advertising can also be used to inform public about social events like concerts and performances.

8. Various charitable organisations can use media to make people aware about various deadly diseases and encourage people for donations. Various NGOs can use the mean of advertisement for promoting their campaigns.

9. Advertising helps in the development of society and growth of technologies.

10. Advertising can itself contribute to the betterment of society by uplifting and inspiring people and motivating them to act in ways that benefit themselves and others. Advertising can brighten their lives.

11. Various benevolent social and religious institutions use advertising to communicate the messages of faith, of patriotism, of tolerance, compassion and human service, of charity toward the needy, messages concerning health and education, constructive, and helpful messages that educate and motivate people in a variety of beneficial ways.

### **ADVERSE IMPACT OF ADVERTISEMENT ON SOCIETY**

We know that "Every coin has two sides". The same is the case with advertising. No doubt, it has many benefits but at the same time, it can also have a negative and harmful impact on individuals and society. It degrades people's tastes; it wastes valuable resources, and has the power to create monopoly. The major adverse effects may be described as under:

1. Advertising manipulates the buyers to buy things which they don't need by playing with their emotions. It plays with the emotions of general public and encourages them to think they need a product which in fact is not needed by them. Advertising is manipulative. It is the creation of desires in consumers for the sole purpose of selling

the goods produced by the companies. The physically based desires originate in the buyer and are relatively immune to being changed by persuasion. The psychic desires, however, are capable of being managed, controlled, and expanded by advertising. Companies create new demand by manipulating the psychic desires through advertising. Advertising is therefore used to create psychic desires for the sole purpose of "ensuring that people buy what is produced" -that is, to absorb the output of an expanding industrial system. Now a day, human desires are moulded to serve the needs of production. People are persuaded to seek this progress by satisfying wants that have been artificially created. The result of this is that they waste their resources and neglect their real needs, and genuine development falls behind.

2. Advertising has the ability to ingrain in the culture. Really it has considerable power to influence society's norms and values. Advertising influences how people feel about themselves often in a negative way. Based on the images they see in advertising, women often feel they should be thin and beautiful and they ruin their family life and professional life to be so. Such images are often unrealistic and unattainable. Advertising also can have a corrupting influence upon cultural values. There is a big difference between the culture prevailing in a fully developed nation and the culture of an under developed and backward nation. Advertising affects the indigenous cultures of the backward nations.

3. Products which are heavily advertised are expensive due to the cost spent on advertising. Designing the advertisement copy and then printing it in newspaper/journals, or airing it through radio and TV is very costly. Top end players and famous film stars charge heavy amount for advertising. It also ultimately increases the cost of a product and buyers have to spend more to buy a product.

4. It is true that advertising increases consumption, but its also true that the more we consume, the more we destroy the environment, because if demand increases production also increases. Thus the need of raw materials also increases causing serious concerns to the environment.

5. Advertising motivates the people to buy new and improved version of the

product produced by the company. It also leads to the disposal of older products . This cycle continues and it creates more and more waste. It also affects the environment adversely.

6. Materialism is being much glorified through advertisements, which can again have dangerous consequences. Advertising makes people too materialistic. It affects their value system by suggesting that the means to a happier life lie in the acquisition of costly goods and materials things.

7. Advertisements sometimes manipulate factual information. Ad makers nowadays try to hide real facts about the product and emphasize mainly about its eye catchy merits. Sometimes promoters' show only easy affordable EMI's but they would not tell the consumer about the hidden cost attached with that product.

8. The advertisers use puffing tactics which makes people picking up bad habits like smoking and drinking etc. This adversely affects the value system of a society.

9. Society is becoming ignorant towards social or world issues because we are too obsessed to satisfy our newly created needs. People want to earn more and more money so that we can buy happiness in forms of products.

10. Advertisement may be deceptive sometimes. Deceptive advertising can take several forms. An advertisement can misrepresent the nature of the product by using deceptive mock-ups, using untrue paid testimonials, inserting the word guarantee where nothing is guaranteed, and quoting misleading prices, failing to disclose defects in a product, misleadingly disparaging a competitor's goods, or simulating well-known brand names. Some fraudulent forms of advertising involve more complex schemes adversely affecting the society.

11. Children are very much susceptible to advertising. They do not understand the concept of marketing; therefore they are not able to deal with the information presented to them. Companies often hire Indian cricket star batsman and film personalities as their brand ambassador to attract innocent children for selling their products. Advertising encourage children to ask their parents for those particular products regardless of whether

the products are good for them or not. They even ask their parent's to buy such things like L.E.D TVs, Cars etc., which they often watch on TV. They are not concerned with the question of affordability for parents. In some cases, almost all the goods to be purchased are decided by the children, and parents are not able to convince them, and ultimately have to buy those products.

12. Advertising can betray its role as a source of information by misrepresentation and by withholding relevant facts. Sometimes strong advertisers may pressure upon media not to publish the negative issues regarding the product they advertise.

13. Advertising may attempt to move people to act on the basis of irrational motives instead of presenting differences in product quality and price as base for rational choice.

14. Advertising can be vulgar and morally degrading. Advertising contributes to the invidious stereotyping of particular groups that places them at a disadvantage in relation to others. The case in question may be advertising treating women. The exploitation of women in and by advertising is very much prevalent, which is not very good at all.

15. Advertisers sometimes include religious themes or use religious images or personages to sell products. It is possible to do this in acceptable ways, but sometimes this practice becomes offensive when it involves exploiting religion or treating it very lightly.

#### **4.7 FACTORS DETERMINING ADVERTISING ETHICS**

Ethics in advertising relate to the impact of advertising activities on the individual, the company, the business community, and the society as a whole. All communication involves three elements: (a) the author(s) who originates the communication, (b) the medium that carries the communication, and (c) the audience who receives the communication because advertising is a form of communication. It involves these three elements, and the various ethical problems raised by the fact that it is a form of communication can be organised around them. If advertising seeks to move people to do evil deeds that are self-destructive and destructive of authentic community, it is not ethical at all.

The moral issues raised by advertising are complex and involve several still unsolved problems. However, the following summarises the main factors that should be taken into consideration when determining the ethical nature of a given advertisement.

- What does the advertiser intend the effect of the advertisement to be?
- What are the actual effects of the advertisement on individuals and on society as a whole?
- Does the advertisement inform or does it also seek to persuade? If it is persuasive, does it attempt to create an irrational and possibly injurious desire?
- Is the content of the advertisement truthful?
- Does the advertisement have a tendency to mislead those to whom it is directed?

Advertisers must maintain high ethical standards and socially responsible advertising practices. Ethical considerations are generally not given due importance in most advertising campaigns.

1. By advertising their products, companies are making claims for them, but often, it is found that their products do not live up to their promised benefits.

2. Advertising is sometimes offensive in nature considering the culture and social customs of the particular area. Liquor ads can be offensive for some, while others take them for granted. Often the products themselves are not offensive, but the advertising offends in order to gain attention.

#### **4.7.1 ETHICAL IMPLICATIONS**

The following ethical principles are particularly relevant to advertising.

- Advertising should not deliberately seek to deceive by what it says, by what it implies, or by what it fails to say. The content of what is communicated should be true and, within the limits set by justice and there should not be any manipulation of truth for any reason.

- Advertising must respect the human dignity, his rights, duty to make a responsible choice and his interior freedom. Advertising should not manipulate and exploit human weakness. It must give proper care and respect to women, children and young people, the elderly, the poor, the culturally disadvantaged.
- Advertising that fosters a lavish life style which wastes resources and despoils the environment is not ethical,
- Advertisers have a serious duty to express and foster an authentic vision of human development in its material, cultural and spiritual dimensions.
- Advertising professionals must be sensitive towards their duty and respect and uphold the rights and interests of their audiences and to serve the common good.
- Voluntary ethical codes must be complied with. Consumers should participate in the formulation, application and periodic updating of ethical codes.
- Govt. regulation of advertising content and practice can and should extend beyond banning false advertising, narrowly defined. Govt. should ensure that public morality and social progress are not gravely endangered through misuse of media for advertising.
- Advertisers themselves must ensure ethically responsible practices in their profession. They must avoid abuses Advertisers should also undertake to repair the harm sometimes done by advertising by publishing corrective notices, compensating injured parties etc.
- Advertisers are morally responsible for what they seek to move people to do; and this is a responsibility also shared by publishers, broadcasting executives, and others in the communications world, as well as by those who give commercial or political endorsements, to the extent that they are involved in the advertising process.
- It is morally wrong to use manipulative, exploitative, corrupt and corrupting methods of persuasion and motivation by way of advertisement.

- Advertisers refrain from attacking competitors unfairly,
- Ethics require that advertisers work with great sense of social responsibility and uphold high moral values. Advertising should be made in good taste, and the generally accepted standards of public decency must be followed.

Ethics in advertising, as in other aspects of social life, is a complex issue. What one person considers ethical, another may consider unethical. Every day advertising professionals must make complex decisions about what can and ought to be said in advertisements. Clients want to make the strongest claims possible for their brands, but the border between the possible and the unethical must be constantly negotiated. Advertising plays a constructive role in economic growth, in the exchange of information and ideas, and in the fostering of solidarity among individuals and groups. Advertising professionals involved in the process of commissioning and disseminating advertising to must try to eliminate its socially harmful aspects and observe high ethical standards in regard to truthfulness, human dignity and social responsibility. In this way, they will make a special and significant contribution to human progress and to the common good.

#### **4.7.2 ADVERTISING STANDARDS COUNCIL OF INDIA**

Advertising Standards Council of India (ASCI) is a voluntary Self-Regulation council, registered as a not-for-profit Company under section 25 of the Indian Co's, Act. The sponsors of the ASCI, who are its principal members, are firms of considerable repute within Industry in India, and comprise Advertisers, Media, Advertisement Agencies and other Professional/Ancillary services connected with advertising practice. The ASCI is not a Government body, nor does it formulate rules for the public or the relevant industries.

##### **Purpose of the Code for Self-Regulation in Advertising**

The purpose of the Code is to control the content of advertisements, not to hamper the sale of products which may be found offensive, for whatever reason, by some people. Provided, therefore, that advertisements for such products are not themselves offensive, there will normally be no ground for objection to them

in terms of this Code.

### **Declaration of Fundamental Principles**

This Code for Self-Regulation has been drawn up by people in professions and industries in or connected with advertising, in consultation with representatives of people affected by advertising, and has been accepted by individuals, corporate bodies and associations engaged in or otherwise concerned with the practice of advertising, with the following as basic guidelines, with a view to achieve the acceptance of fair advertising practices in the best interest of the ultimate consumer:

- i. To ensure the truthfulness and honesty of representations and claims made by advertisements and to safeguard against misleading advertisements.
- ii. To ensure that advertisements are not offensive to generally accepted standards of public decency.
- iii. To safeguard against the indiscriminate use of advertising for the promotion of products which are regarded as hazardous to society or to individuals to a degree or of a type which is unacceptable to society at large.
- iv. To ensure that advertisements observe fairness in competition so that the consumer's need to be informed on choices in the market-place and the canons of generally accepted competitive behaviour in business are both served.

The Code's rules form the basis for judgement whenever there may be conflicting views about the acceptability of an advertisement, whether it is challenged from within or from outside the advertising business. Both the general public and an advertiser's competitors have an equal right to expect the content of advertisements to be presented fairly, intelligibly and responsibly. The Code applies to advertisers, advertising agencies and media.

### **Responsibility for the Observance of this Code**

The responsibility for the observance of this Code for Self-Regulation in Advertising lies with all who commission, create, place or publish any advertisement or assist in the creation or publishing of any advertisement. All advertisers, advertising agencies

and media are expected not to commission, create, place or publish any advertisement which is in contravention of this Code. This is a self-imposed discipline required under this Code for Self-Regulation in Advertising from all involved in the commissioning, creation, placement or publishing of advertisements.

This Code applies to advertisements read, heard or viewed in India even if they originate or are published abroad so long as they are directed to consumers in India or are exposed to significant number of consumers in India.

### **The Code and the Law**

The Code's rule is not the only ones to affect advertising. There are many provisions, both in the common law and in the statutes, which can determine the form or the content of an advertisement. The Code is not in competition with law. Its rules, and the machinery through which they are enforced, are designed to complement legal controls, not to usurp or replace them.

### **Standards of Conduct**

Advertising is an important and legitimate means for the seller to awaken interest in his products. The success of advertising depends on public confidence. Hence no practice should be permitted which tends to impair this confidence. The standards laid down here should be taken as minimum standards of acceptability which would be liable to be reviewed from time to time in relation to the prevailing norm of consumers' susceptibilities.

## **CHAPTER 1**

To ensure the Truthfulness and Honesty of Representations and Claims made by Advertisements and to Safeguard against misleading Advertisements

1. Advertisements must be truthful. All descriptions, claims and comparisons which relate to matters of objectively ascertainable fact should be capable of substantiation. Advertisers and advertising agencies are required to produce such substantiation as and when called upon to do so by The Advertising Standards Council of India.

2. Where advertising claims are expressly stated to be based on or supported by independent research or assessment, the source and date of this should be indicated in the advertisement.

3. Advertisements shall not, without permission from the person, firm or institution under reference, contain any reference to such person, firm or institution which confers an unjustified advantage on the product advertised or tends to bring the person, firm or institution into ridicule or disrepute. If and when required to do so by the Advertising Standards Council of India, the advertiser and the advertising agency shall produce explicit permission from the person, firm or institution to which reference is made in the advertisement.

4. Advertisements shall neither distort facts nor mislead the consumer by means of implications or omissions. Advertisements shall not contain statements or visual presentation which directly or by implication or by omission or by ambiguity or by exaggeration are likely to mislead the consumer about the product advertised or the advertiser or about any other product or advertiser.

5. Advertisements shall not be so framed as to abuse the trust of consumers or exploit their lack of experience or knowledge. No advertisement shall be permitted to contain any claim so exaggerated as to lead to grave or widespread disappointment in the minds of consumers.

**For example:**

(a) Products shall not be described as 'free' where there is any direct cost to the consumer other than the actual cost of any delivery, freight, or postage. Where such costs are payable by the consumer, a clear statement that this is the case shall be made in the advertisement.

(b) Where a claim is made that if one product is purchased another product will be provided 'free', the advertiser is required to show, as and when called upon by The Advertising Standards Council of India, that the price paid by the consumer for the product which is offered for purchase with the advertised incentive is no more than the prevalent price of the product without the advertised incentive.

(c) Claims which use expressions such as "Upto five years' guarantee" or "Prices from as low as Rs. Y" are not acceptable if there is a likelihood of the consumer being misled either as to the extent of the availability or as to the applicability of the benefits offered.

(d) Special care and restraint has to be exercised in advertisements addressed to those suffering from weakness, any real or perceived inadequacy of any physical attributes such as height or bust development, obesity, illness, impotence, infertility, baldness and the like, to ensure that claims or representations directly or by implication, do not exceed what is considered prudent by generally accepted standards of medical practice and the actual efficacy of the product,

(e) Advertisements inviting the public to invest money shall not contain statements which may mislead the consumer in respect of the security offered, rates of return or terms of amortisation; where any of the foregoing elements are contingent upon the continuance of or change in existing conditions, or any other assumptions, such conditions or assumptions must be clearly indicated in the advertisement.

(f) Advertisements inviting the public to take part in lotteries or prize competitions permitted under law or which hold out the prospect of gifts shall state clearly all material conditions as to enable the consumer to obtain a true and fair view of their prospects in such activities. Further, such advertisers shall make adequate provisions for the judging of such competitions, announcement of the results and the fair distribution of prizes or gifts according to the advertised terms and conditions within a reasonable period of time. With regard to the announcement of results, it is clarified that the advertiser's responsibility under this section of the Code is discharged adequately if the advertiser publicizes the main results in the media used to announce the competition as far as is practicable, and advises the individual winners by post.

6. Obvious untruths or exaggerations intended to amuse or to catch the eye of the consumer are permissible provided that they are clearly to be seen as humorous or hyperbolic and not likely to be understood as making literal or misleading claims for the advertised product.

7. In mass manufacturing and distribution of goods and services it is possible that there may be an occasional, unintentional lapse in the fulfillment of an advertised promise or claim. Such occasional, unintentional lapses may not invalidate the advertisement in terms of this Code. In judging such issues, due regard shall be given to the following:

- (a) Whether the claim or promise is capable of fulfillment by a typical specimen of the product advertised.
- (b) Whether the proportion of product failures is within generally acceptable limits.
- (c) Whether the advertiser has taken prompt action to make good the deficiency to the consumer.

## **CHAPTER 2**

Advertisement should contain nothing indecent, vulgar, especially in depiction of women, or nothing repulsive which is likely, in the light of generally prevailing standards of decency and propriety, to cause grave or widespread offence.

## **CHAPTER 3**

To safeguard against the indiscriminate use of Advertising in situations or of the promotion of Products which are regarded as Hazardous or Harmful to society or to individuals, particularly minors, to a degree or of a type which is Unacceptable to Society at Large.

- 1. No advertisement shall be permitted which:
  - (a) Tends to incite people to crime or to promote disorder and violence or intolerance.
  - (b) Derides any race, caste, colour, creed, gender or nationality"
  - (c) Presents criminality as desirable or directly or indirectly encourages people - particularly minors - to emulate it or conveys the modus operandi of any crime.
  - (d) Adversely affects friendly relations with a foreign State.

2. Advertisements addressed to minors shall not contain anything, whether in illustration or otherwise, which might result in their physical, mental or moral harm or which exploits their vulnerability. For example, Advertisements:

(a) Should not encourage minors to enter strange places or to converse with strangers in an effort to collect coupons, wrappers, labels or the like.

(b) Should not feature dangerous or hazardous acts which are likely to encourage minors to emulate such acts in a manner which could cause harm or injury.

(c) Should not show minors using or playing with matches or any inflammable or explosive substance; or playing with or using sharp knives, guns or mechanical or electrical appliances, the careless use of which could lead to their suffering cuts, burns, shocks or other injury.

(d) Should not feature minors for tobacco or alcohol-based products.

(e) Should not feature personalities from the field of sports, music and cinema for products which, by law, either require a health warning in their advertising or cannot be purchased by minors.

3. Advertisements shall not, without justifiable reason, show or refer to dangerous practices or manifest a disregard for safety or encourage negligence.

4. Advertisements should contain nothing which is in breach of the law nor omit anything which the law requires.

5. Advertisements shall not propagate products, the use of which is banned under the law.

6. Advertisements for products whose advertising is prohibited or restricted by law or by this Code must not circumvent such restrictions by purporting to be advertisements for other products the advertising of which is not prohibited or restricted by law or by this Code. In judging whether or not any particular advertisement is an indirect advertisement for a product whose Advertising is restricted or prohibited, due attention shall be paid to the following:

(a) Whether the unrestricted product which is purportedly sought to be promoted

through the advertisement under complaint is produced and distributed in reasonable quantities having regard to the scale of the advertising in question, the media used and the markets targeted.

(b) Whether there exist in the advertisement under complaint any direct or indirect clues or cues which could suggest to consumers that it is a direct or indirect advertisement for the product whose Advertising is restricted or prohibited by law or by this Code.

(c) Where Advertising is necessary, the mere use of a brand name or company name that may also be applied to a product whose Advertising is restricted or prohibited, is not reason to find the advertisement objectionable provided the advertisement is not objectionable in terms of (a) and (b) above.

#### **CHAPTER 4**

To ensure that Advertisements observe fairness in competition such that the Consumer's need to be informed on choice in the Market-Place and the Canons of generally accepted competitive behaviour in Business are both served.

1. Advertisements containing comparisons with other manufacturers or suppliers or with other products including those where a competitor is named, are permissible in the interests of vigorous competition and public enlightenment, provided:

(a) It is clear what aspects of the advertiser's product are being compared with what aspects of the competitor's product.

(b) The subject matter of comparison is not chosen in such a way as to confer an artificial advantage upon the advertiser or so as to suggest that a better bargain! is offered than is truly the case.

(c) The comparisons are factual, accurate and capable of substantiation.

(d) There is no likelihood of the consumer being misled as a result of the comparison, whether about the product advertised or that with which it is compared.

(e) The advertisement does not unfairly denigrate, attack or discredit otherj products, advertisers or advertisements directly or by implication.

2. Advertisements shall not make unjustifiable use of the name or initials of any other

firm, company or institution, nor take unfair advantage of the goodwill attached to the trade mark or symbol of another firm or its product or the goodwill acquired by its advertising campaign.

3. Advertisements shall not be similar to any other advertiser's earlier run advertisements in general layout, copy, slogans, visual presentations, music or sound effects, so as to suggest plagiarism.

4. As regards matters covered by sections 2 and 3 above, complaints of plagiarism of advertisements released earlier abroad will lie outside the scope of this Code except in the under-mentioned circumstances:

(a) The complaint is lodged within 12 months of the first general circulation of the advertisements/campaign complained against.

(b) The complainant provides substantiation regarding the claim of prior invention/usage abroad.

#### **4.8 CONCEPT OF CONSUMER AND CONSUMER PROTECTION**

Customer is really the basic reason for the existence of a corporate house. The end of a business process is selling the product to the ultimate customer. If there is no customer for a product, that particular product has no meaning at all. And the future existence of such company is doubtful. Gandhiji had defined very nicely the importance of a consumer in the following words:

"A Consumer is the most important visitor on our premises. He is not dependent on us we are on him. He is not an interruption to our work; he is the purpose of it. We are not doing a favour to a consumer by giving him an opportunity. He is doing us a favour by giving an opportunity to serve him."

**Definition of consumer as per Sec.2(f) of Competition Act, 2002 "Consumer" means any person who -**

(i) buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use

is made with the approval of such person, whether such purchase of goods is for resale or for any Commercial purpose or for personal use;

(ii) hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such services other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first-mentioned person whether such hiring or availing of services is for any commercial purpose or for personal use.

Therefore, protecting customers from any sort of harm should be an integral part marketing responsibility. All the customers must be satisfied through ethical means only then a company can flourish in time to come. Consumer protection is concerned with protection the interest of the consumers. Well thought out campaigns are very urgently needed to save the ultimate consumer from the fraudulent and unethical marketing practices.

#### **4.8.1 CONSUMER PROTECTION ACT & SAFEGUARD OF INTEREST OF CONSUMERS**

The Consumer Protection Act passed by the Indian government in 1986 to provide "simple, speedy and inexpensive" justice to the aggrieved consumer. It is one of the benevolent pieces of legislation intended to protect the consumers at large from exploitation and malpractices. It is basically a social welfare legislation which was enacted as a result of a widespread consumer protection movement. The new legislation in the form of Consumer Protection Act has been enacted to provide for the better protection of the interest of consumers. The provisions of this Act cover 'goods' as well as 'services'. The goods are those which are manufactured or produced and sold to consumers through wholesalers and retailers. The services are in the nature of transport, telephone, electricity, housing, banking, insurance, medical treatment, etc.

**The Consumer Protection Act, 1986 starts with a Preamble as follows,**

"An Act to provide for better protection of the interest of consumers and for that purpose to make provisions for the establishment of Consumer Councils and other

authorities for the settlement of consumer disputes and for matters connected therewith."

The main object of this Act is to provide for the better protection of the interests of the consumer and to establish consumer councils and other authorities for settlement of consumer disputes and related matter. The objects of the consumer protection councils is to promote protect the rights of the consumers. Under this Act, the following rights of the consumers are to be promoted and protected:

**(i) Right to safety:**

Consumers have a right to be protected against marketing of goods which are injurious to their health and life.

**(ii) Right to be informed:**

Consumers have the right to be informed about the quantity, quality, purity, standard grade and price of the goods available so that they can make judicious choice while buying any product or availing any service. Further, they must be informed about the safe precautions to be taken while using the product to avoid loss or injury

**(iii) Right to choose:**

Every consumer has the right to choose the goods needed from a wide variety of similar goods. Very often dealers and traders try to use pressure tactics to sell goods of poor quality.

**(iv) Right to be heard:**

Consumers have a right to be consulted by Government and public bodies when decisions and policies are made affecting consumer interests. They have a right to be heard by manufactures, dealers and advertisers about their opinion on production and marketing decisions. Further, they have the right to be heard in legal proceedings in law courts dealing with their complaints

**(v) Right to seek redressal:**

Where any consumer has a complaint or grievance due to unfair trade practices

like charging higher price, selling of poor quality or unsafe products or if he has suffered loss or injury due to defective or adulterated products, he has the right to seek legal remedies. This right assures the customers that their genuine complaints will receive due attention.

**(vi) Right to consumer education**

Consumer awareness and education is needed to prevent market malpractices and exploitation of consumers For this purpose, consumer associations, educational institutions and Government policy makers are expected to enable consumers to be informed and educated about (a) protection of their interest; and (b) the relevant laws which are aimed at preventing unfair trade practice (c) the procedure to be adopted by consumers while making complaints.

Later on, The Consumer Protection Act was modified in the year 1991, 1993 and 2002. The modifications of the amendments made in 2002 came into effect on March 15, 2003. The objective and highlights of the Amendments made in 2002 are as under:

1. Creation of benches of the National Commission and the State Commission and holding of circuit benches of these Commissions.
2. Prescribing time frame for admission of complaints, issue of notices and disposal of complaints and appeals.
3. Provisions for recovery of amounts ordered to be paid by the Consumer Dispute Redressal Agencies as arrears of land revenue.
4. No adjournments to be ordinarily allowed, and if allowed than, a speaking order giving reasons would be made,
5. Revision of pecuniary jurisdiction in respect of redressal agencies at different levels i.e.,
  - (a) District Forum - from Rs. 5 lakhs to Rs. 20 lakhs
  - (b) State Commission -from Rs. 20 lakhs to Rs. 1 crore

- (c) National Commission - from above Rs. 20 lakhs to above 1 crore.
- 6. Provisions for charging of fee in respect of complaints filed before the Consumer Dispute Redressal Agencies,
- 7. Provisions for depositing, either fifty percent of the amount of compensation or fine or the amount mentioned below whichever are less, before the admission of appeal namely,
  - (a) Rs. 25,000 in case of appeal to a State Commission from the District Forum.
  - (b) Rs. 35,000 in case of appeal to the National Commission from a State Commission.
  - (c) Rs. 50,000 in case of appeal to the Supreme Court from the National Commission
- 8. Exclusion of services availed for commercial purpose.
- 9. Prescribing minimum qualifications as well as disqualifications for members of the Consumer Dispute Redressal Agencies, provisions for re-appointment of President and Members of the District Forum, State Commission and the National Commission.
- 10. Expressly conferring the powers of a Judicial Magistrate of the First Class on the Consumer Dispute Redressal Agencies with a view to try offences under the Act.
- 11. Provisions for substitution of legal heir or representative as a party to the complaint in the event of the death of the complainant or the opposite party.
- 12. Provisions for issue of interim orders by the redressal agencies.
- 13. Establishment of Consumer Protection Council at District level for the promotion and protection of consumer rights.

## 4.9 NEED FOR CONSUMER PROTECTION

In order to maximise profits, many businessmen exploit consumers by supplying poor quality goods at higher prices. They adopt unfair trade practices such as adulteration, hoarding, black-marketing, etc. As a result consumers do not get value for their money. Big business houses use their power for private gain and to the detriment of consumers. Consumers are exposed to physical, environmental and other hazards. They need to be protected from spurious, duplicate and adulterated products, pollution of air, water and noise, and misleading advertising.

### **Consumers need protection due to the following reasons:**

**1. Protection from Exploitation:** Importance of the consumer protection is to safeguard the consumer from exploitation. In the absence of consumer protection, consumers were exploited in many ways e.g. sale of unsafe products, adulteration and hoarding of goods, using wrong weights and measures, charging excessive prices and sale of inferior quality goods, etc. Through various Consumer Protection Acts; business organizations are under pressure to keep away from exploiting consumers.

**2. Consumer Education:** Consumers in India are mostly illiterate and ignorant. They do not understand their rights. A system is required to protect them from unscrupulous businessmen. Importance of consumer protection is to create awareness among consumers about their rights and responsibilities by organizing workshops and seminars and gives them confidence to take legal action against companies who have defaulted.

**3. Redressal of Complaints:** Importance of Consumer Protection is to present the consumer complaints in appropriate consumer courts and make sure that justice is done to consumers.

**4. Bulletins and Periodicals:** Importance of consumer protection organization is to issue various journals and periodicals in which wide publicity is given to the unfair trade practices adopted by business organisations so that they are pressured to give fair treatment to consumers.

**5. Encouraging Honest Businessmen:** Importance of consumer protection is to encourage the honest businessmen. organisations give the credit to the business organizations which aims at consumer satisfaction by publishing favourable reports in their periodical's about them. This helps in building goodwill for such organizations.

**6. Connecting Link:** Importance of consumer protection is they play connecting link between the consumer. Consumer Protection organizations act as a link between consumers wanting to file complaints on one side and the business organizations that have defaulted on other sides and make sure that justice is done to final consumers.

**7. Unity:** Consumer Protection aims at bringing unity among consumers to fight collectively against the business organisations which indulge in unfair trade practices. Consumers are encouraged to form co-operative societies so that the focus is on providing services to members rather than earning profit on the cost of customers.

**8. Quality life for Consumer:** Importance of Consumer Protection is to aim at redressal of consumer complaints in an effective manner but also on giving good-quality life to consumers by business organizations who have defaulted on the other side and make sure that justice is done to final consumers.

**9. Ethical Obligations:** Importance of consumer protection, Today ethics play a prominent role in business. Business without ethical values is nothing but a criminal activity. Protecting the interests of the consumer includes absence of unfair business practices such as black marketing, profiteering, creating an artificial shortage, using wrong weights and measures, publishing false advertisement, etc. It is necessary for a businessman not to practice such uneven means thereby protect the interest of consumers.

**10. Getting Public Support:** Importance of consumer protection does not isolate the business. Financial institutions and banks provide finance to business. Government provides support and incentives. Employees contribute their time, skill and labour. Consumers are ready to pay for value. The businessmen can get the best support of all these parties only when it stops exploiting its customers.

To conclude, the need of Consumer Protection is to safeguard consumers from any kind of exploitation from business organizations and ensuring the position of 'King of Market' to consumer.

## **4.10 MACHINERY FOR REDRESSAL OF CONSUMER GRIEVANCES**

### **Who Can File A Complaint:**

#### **A complainant in relation to any goods or services may be filled by-**

A consumer or any voluntary consumer association registered under the Companies Act, 1956 (1 of 1956) or under any other law for the time being in force, or the Central Government or any State Government; or One or more consumers, where there are numerous consumers having the same interest or In case of death of a consumer, his legal heir or representative. It must however be noticed that a power of attorney cannot file a complaint under the Act.

### **What Constitutes a Complaint:**

A complaint means any allegation in writing made by a complainant that- An unfair trade practice or a restrictive trade practice has been adopted by any trader or service provider. The goods bought by him or agreed to be bought by him; suffer from one or more defects. The services hired or availed of or agreed to be hired or availed of by him suffer from deficiency in any respect. A trader or service provider, as the case may be, has charged for the goods or for the service mentioned in the complaint a price in excess of the price fixed by or under any law for the time being in force or displayed on the goods or any package containing such goods or displayed on the price list exhibited by him by or under any law for the time being in force or agreed between the parties. Goods which will be hazardous when used or being offered for sale to the public. Services which are hazardous or likely to be hazardous to life and safety of the public when used, are being offered by the service provider which such person could have known with due diligence to be injurious to life and safety. However, no complaint can be filed for alleged deficiency in any service that is rendered free of charge or under contract of personal service.

### **How to File a Complaint: -**

A complaint can be filed on a plain paper. It should contain-

- The name description and address of the complaints and the opposite party

- The Facts relating to complaint and when and where it arose
- Documents in support of allegations in the complaint
- The relief which the complainants is seeking
- The complaint should be signed by the complainants or his authorized agent.

It should be noted that no lawyer is required for filing the complaint under the provisions of the Consumer Protection Act. The remedy under the Consumer Protection Act is an alternative in addition to that already available to the aggrieved persons/ consumers by way of civil suit. In the complaint/appeal/petition submitted under the Act, a consumer is not required to pay any court fees but only a nominal fee. Filing of a complaint depends upon the cost of the goods or services. A written complaint, can be filed before the District Consumer Forum for pecuniary value of upto Rupees twenty lakh, State Commission for value upto Rupees one crore and the National Commission for value above Rupees one crore, in respect of defects in goods and or deficiency in service.

**3-tier structure of the National and State Commissions and District Forums:** The Consumer Protection Act, 1986 has enabled ordinary consumers to secure less expensive and often speedy redressal of their grievances. The Act provides for the establishment of Consumer Protection Councils at the Centre as well as in each State and district, with a view to promoting consumer awareness. The Central Council is headed by Minister, In-charge of the Department of Consumer Affairs in the Central Government and the State Councils by the Minister in-charge of the Consumer Affairs in the State governments. It also provides for a 3-tier structure of the National and State Commissions and District Forums for speedy resolution of consumer disputes. To provide inexpensive, speedy and summary redressal of consumer disputes, quasi-judicial bodies have been set up in each District and State and at the National level, called the District Forums, the State Consumer Disputes Redressal Commissions and the National Consumer Disputes Redressal Commission respectively. At present, there are 629 District Forums and 35 State Commissions with the National Consumer Disputes Redressal Commission (NCDRC) at the apex. A consumer can file a complaint and also address arguments in person. In genuine cases where the complainant before the National Commission is not able to engage the services of an

advocate legal aid is provided by the Commission free of charge.

National Consumer Disputes Redressal Commission (NCDRC) has its office at New Delhi. Each District Forum is headed by a person who is or has been or is eligible to be appointed as a District Judge and each State Commission is headed by a person who is or has been a Judge of High Court. The National Commission was constituted in the year 1988. It is headed by a sitting or retired Judge of the Supreme Court of India. The National Commission is presently headed by Hon'ble Mr. Justice D. K. Jain, former Judge of the Supreme Court of India as President and has ten other Members. The National Commission has also been conferred with the powers of administrative control over all the State Commissions by calling for periodical returns regarding the institution, disposal and pendency of cases. The National Commission watches the functioning of the State Commissions and the District Forums to ensure that the objects and purposes of the Act are best served, without interfering with their quasi-judicial freedom and it may issue instructions regarding adoption of uniform procedure in the hearing of the matters.

**These forums can decide the complaints filed by the consumers. The amount specified is as under:**

- District Forum can deal with the complaints involving cost of products/services upto Rs. 20 lakhs
- State Commission can deal with the complaints involving cost of products/services more than Rs. 20 lakhs but less than Rs. 1 crore
- National Commission can deal with the complaints involving cost of products/services more than Rs. 1 crore.

If a consumer is not satisfied by the decision of a District Forum, he can appeal to the State Commission. Further, if he is again not satisfied with the decision of the State Commission, he can appeal against the order of the State Commission to the National Commission, the apex body having Head Office at New Delhi.

These forums have been performing their duties in a very effective way. The Functioning of District Forum, State Commission and National Commission is consumer friendly and it has settled a number of cases since inception. It will be more clear from

the following table:

S. No.	Name of Agency	Cases filed since inception	Cases disposed of since inception	Cases Pending	% of total Disposal
1.	National Commission	103419	92231	11188	89.18%
2.	State Commissions	717645	617210	100435	86.00%
3.	District Forums	3745411	3456649	288762	92.29%
	TOTAL	4566475	4166090	400385	91.23%

Source: <http://ncdr.nic.in/stats.html>

#### 4.11 SUMMARY

All the concerned staff must be acquainted with ethical side of marketing. The company must make sure that high ethical standards and moral values are practiced in the context of marketing because this is very much needed in today's competitive environment. It will really be a fruitful decision for the company as a whole. It can be remarked that ethical marketing activities can therefore contribute in regaining confidence of customers and society as a whole. We must remember that Ethical behaviour has the power to win more customers and in this way, help a company expand its business and reap long term benefits. It is the prime responsibility of a consumer to bring to the notice of the concerned authorities, any violation in their rights. It may be rightly concluded that advertising has positive as well as negative impact on society. It may create contentment but can also simultaneously create discontentment. Advertising is a product of industrialized society. Since a coherent and viable economy, today, is largely dependent on mass industrialization, advertising will continue to be a factor in our lives. Unethical means of advertisements has raised a question on media's efficiency and integrity. Companies should understand that the main goal of advertising is public awareness and should take rigorous steps to eradicate unethical issues.

#### 4.12 SELFASSESSMENT QUESTIONS

1. What is surrogate advertising?
2. What is price discrimination?
3. What are business ethics in advertising?
4. Write short note on Advertising Standards Council of India.

#### 4.13 IN-TEXT QUESTIONS

1. Write a detailed essay on the ethical responsibility of a company while marketing its products.

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2. Discuss in detail the concept of Consumer Protection in India.

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3. Write in detailed essay on the ethical responsibility of a company while advertising its products. Also discuss a few unethical practices in advertising.

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4. Describe various ethical considerations involved in advertising.

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#### **4.13 FURTHER READING**

1. Business Ethics: Sanjeev K. Bansal, Sandeep K. Bansal, Rama Bansal
2. Business Ethics & Corporate Governance: S. K. Bhalla
3. Business Ethics and Communication: C. B. Gupta
4. Business Ethics: A. K. Gavai
5. Ethics In Management And Indian Ethos: Biswanath Ghosh