

Business Ethics
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Lecture – 01

What is Business Ethics? Why Business Ethics is important?

Welcome you all to the course of Business Ethics. In this course we are going to discuss on how we can apply values in the context of business. Let me introduce you to the details of this course before we go on beginning on what is there in the course. Let us move through the details of the course.

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Content
<ul style="list-style-type: none">• Business Ethics: An overview• Framing Business Ethics- CSR, stakeholders and Citizenship• Ethical theories• Tools and Techniques of Business Ethics Management, Role of various agencies in ensuring ethics in corporation• Contextualizing Business Ethics- Corporate Governance, Accounting and finance

The course as you can see is titled Business Ethics and the content of the course is first you are going to learn the overview of the course as Business Ethics: An overview. Next we will move with the framing of business ethics and in this we will discuss corporate social responsibility, stakeholders and citizenship behavior of the organization. Then the course will discuss about the ethical theories of decision making. Next we will move forward with the tools and techniques of business ethics management, role of various agencies in ensuring ethics in corporations. Next the course will discuss about contextualizing business ethics and in this we will discuss corporate governance and accounting and finance related ethics.

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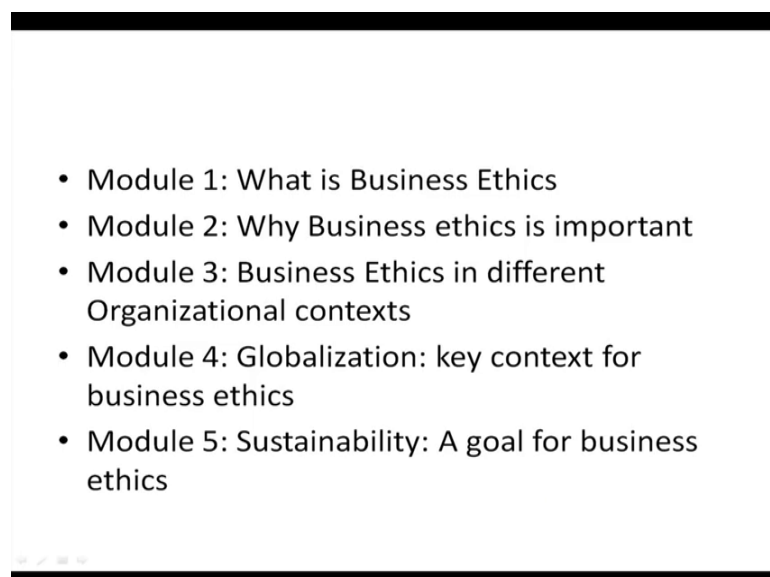


The slide is titled "Content Contd..." and lists seven bullet points. A small circular inset photo of a woman is in the bottom right corner.

- Employees and Business Ethics
- Consumers and Business Ethics
- Suppliers, Competitors and business ethics
- IT and Ethics
- Environment and Business Ethics
- Civil Society and Business Ethics
- Government, Regulation and business ethics

The course then discusses about business ethics with relevance to various stakeholders like employees and business ethics, consumers and business ethics, suppliers, competitors and business ethics, IT and ethics, environment and business ethics, civil society and business ethics, government regulation and business ethics. So, the total course is divided into 12 modules, broad modules which are again subdivided into 5 sub modules.

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The slide lists five modules in a bulleted format.

- Module 1: What is Business Ethics
- Module 2: Why Business ethics is important
- Module 3: Business Ethics in different Organizational contexts
- Module 4: Globalization: key context for business ethics
- Module 5: Sustainability: A goal for business ethics

Today we will be discussing about the overview of business ethics which is subdivided into 5 modules like in module 1 we are going to discuss what is business ethics, module 2 we will discuss why business ethics is important, module 3 we will discuss business ethics in different organizational contexts, module 4 will discuss about globalization the key context for business ethics and in module 5 we will discuss about sustainability a goal for business ethics. So, let us begin with the journey of business ethics now.

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So, the first question that we are going to answer is what is business ethics as you can understand this term business ethics consists of two keywords - one is ethics and the other is business. So, here we are going to understand what, we are going to understand the application of ethics in the business context. For that reason it is very essential that we understand the two terms separately - first we get to know what is ethics and secondly, we understand what is business and then we will come to understand the application of ethics in the business situations.


So, the course the main focus of the course will be on whether to understand whether ethics is important and how it is important, second is to understand how ethics can help in decision making for business and third we will try to see business ethics as source of personal integrity and social responsibility. So, that will be the focus of this course.

So, when we try to understand what is ethics we need to understand two other terms also first of which is called morality.

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Defining morality, ethics and ethical theory

- **Morality** is concerned with the norms, values and beliefs embedded in social processes which define right and wrong for an individual or a community.
- **Ethics** is concerned with the study of morality and the application of reason to elucidate specific rules and principles that determine right and wrong for any given situation.
- These rules and principles are called **ethical theories**.



So, what is morality? Morality is concerned with the norms, values and beliefs embedded in social processes which define right and wrong for an individual or community. So, the word morality derives from the word mores which means it is the rules norms set by the society for a particular individual or society to follow. When we are talking of ethics though the term ethics and morality are sometimes used interchangeably, but there is a slight difference between these two terms, when you are talking of ethics - ethics is concerned with the study of morality and the application of reason. So, it is concerned with the study of morality and application of reason to elucidate specific rules and principles that determine right or wrong in a given situation.

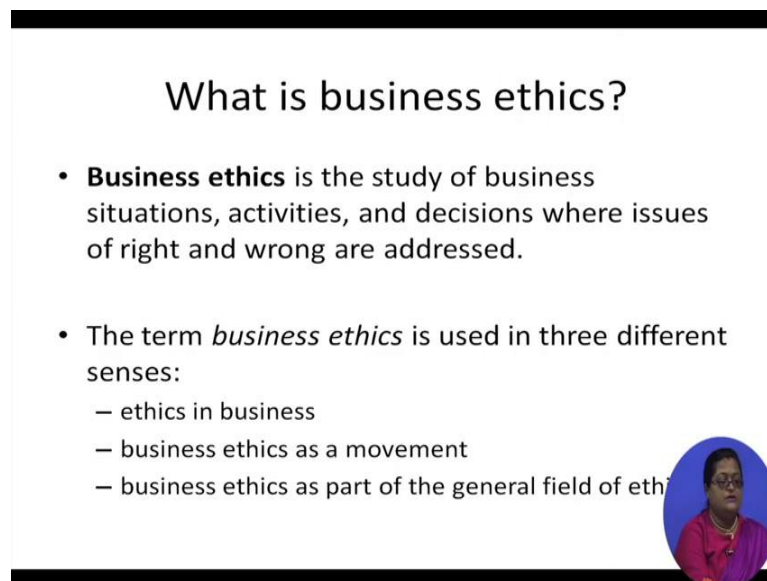
So, ethics is the study of morality and to elucidate the different rules and principles which are determining right and wrong with respect to a particular situation. These rules and principles are called ethical theories. So, here we have come to learn three terms first is the morality, second we learnt what is ethics and third we have learnt what is ethical theories. So, morality are concerned with the norms and values, ethics is concerned with the study of morality and application of reason to elucidate right and wrong principles rules and principles with respect to the particular situation and ethical theories deals with those rules and principles as applied in particular situation.

Next, we are going to understand what is business. So, generally when we understand by business we understand a for profit organization. So, what is a for profit organization? A

for profit organization is one which takes in resources in different forms moves it through the process within the organization to generate outcome which yields profit or in other sense generally what you understand profit to be which adds value in terms of money to the society at large and to the organization itself and to its people.

So, this generally when we talk of business, we talk of a for profit organization; however, this course will discuss about business ethics and we will try to expand the definition not only to for-profit organizations or firms, but we will try to look into the values applications of values rules and principles which are followed in processes of for-profit organizations and also for organizations which are not for profit also. So, we will expand the definition and try to see into the ethical practices and principles followed in all different types of organizations.

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What is business ethics?

- **Business ethics** is the study of business situations, activities, and decisions where issues of right and wrong are addressed.
- The term *business ethics* is used in three different senses:
 - ethics in business
 - business ethics as a movement
 - business ethics as part of the general field of ethics

So, what is business ethics? Business ethics is the study of business situations activities and decisions where issues of right and wrong are addressed. Please try to focus on the three different words mentioned over here it is business situations, activities and decisions where issues of right and wrongs are addressed. So, we are going to study in a particular situation what are the activities done by a particular organization which lead to certain decisions and what whether the whole process itself the activities taken and the decisions taken by the organization are right and wrong.

So, it will be used in three different ways - one first is ethics in business. So, we will also look into business ethics as a movement what is going around for like different organizations and we will also look into business ethics as a general field of study, but the focus will be majorly on the first that is the ethics in business.

So, what is business ethics? Business ethics is the discipline that examines one's moral standards or the moral standards of the society to evaluate the reasonableness and the implications for one's own life. So, it is like there are two things you can see we have talked about one's own moral standards where we are focusing into the personal integrity part of the decision maker because ultimately business decisions are made by a person or a team of persons. So, the virtue of the person, the morality of the person, the decision making the values guiding the decision making of the person or the group of persons who are making business decisions are very important.

So, business ethics examines the one's own moral standards or the moral standards as guided by the society and their reasonableness and their implications in one's own life and also for the organization. Business ethics is a specialized field of study it is an applied field of study where we are trying to study the application of values or moral principles, rules and principles with respect to the business situations. So, it is a specialized field of study of moral right and wrong that concentrates on moral standards as they apply to business situations, organizations and behavior. So, we are trying to see the whole processes of the business with respect to different stakeholders connected with the business the processes carried out inside the firm, the processes, the relationships the business it is in with different stakeholders in the process of carrying out its business.

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Why is business ethics important?

1. Power and influence of business in society
2. Potential to provide major contribution to society
3. Potential to inflict harm
4. Increasing demands from stakeholders
5. Lack of business ethics education or training
6. Continued occurrence of ethical infractions
7. Evaluating different ways of managing business ethics
8. Interesting and rewarding



Next we are trying to discuss on the importance of business ethics. Why business ethics is important this is a gradual realization which has come up in the sense in earlier it was believed like for a for-profit organization, if we are only earning profit and making money that is adding value to the society and that is how we are doing our responsibility for the people, within the organization for the business itself and for the society at large. It was not a matter of concern about how the decisions are taken, what decisions are taken, what the processes we are following, how we are dealing with the resources, how we are transforming that input through the throughput process into output those were not the matters of concerns earlier.

But with the changing time where the stakeholders of the business have become more aware and concerned about the different business processes and its effect on the society at large, then with the changing nature of this awareness of the stakeholders it has now become more important not about whether ethics is followed in business or not, but how deeply it is followed, how integrately it is followed, in the business. And what are the different checkpoints taken by the organization to see that the ethics is followed at each and every step of how it is doing its business. So, when we are talking of why ethics is important, why business ethics is important let us focus into the different sub points of it and what we see the first important point is of course, of the power and influence of the business in the society.

So, the business is embedded within the society and how the business is influencing the society is has a greater implication for the society at large, how it is using the resources from the society and how the things whether the product or the services that it is producing, how it is affecting the society at large. So, this both way relationship is very important and, it is important like to study whether ethics is followed at each of the step of business that is being done.

Number two point is potential to provide major contribution to society. So, it immediately follows from point one that because it has a greater presence in the society. So, it has the ability to make a major contribution to the society and also it has the potential to harm the society also. So, because of these two possibilities like one if it follows values well if it does things well and if it has a caring aspect to the society at large the way it can have an implication on the society can have a very positive effect on the society. But if it is only guided by a concept of making profit for its own self irrespective of what they are doing and how it is affecting the society at large then it may have a chance of harming the society at large. So, at the cost of what the business is being done and how it is benefitting the society at large: are two major questions which have made the study of business ethics important in the societal context for business.

There are increasing demands from the stakeholders also and these stakeholders are many it is the employees, it is the consumers, it is the suppliers, it is the society at large, it is the environment at large also. So, environment is also a very important stakeholder and the society the government rules and regulations these are important stakeholders which may affect and also get affected by the way that you do the business. And with changing time stakeholders have become very much active about their demands from the organization they want to see like the justice is being done to them and the decisions that the organizations are making are having a positive impact on them at and also the other related stakeholders.

So, the business decision is affecting not only a single stakeholder per se, but as the stakeholders are in a web of relationship, there is a interconnectedness amongst the stakeholders; stakeholders which are like even distantly connected to your organization may have an important impact on the organization or get impacted by the effect like the business is producing and all the stakeholders are in a web of relationship with each other. So, there it is very important that the business takes care of the needs of the

different stakeholders and tries to balance between the different demands and prioritize the different demands of the stakeholders, and try to carry out its processes its activities in such a way like it is not going to harm the majorly harm the different stakeholders balance between their needs, and to also minimize the negative effect that it may knowingly or unknowingly may bring on to the different stakeholders.

Next why business ethics is important? Is there is a lack of business ethics education or training amongst the different may be people carrying out to the businesses, in some cases this knowledge of business ethics what is the correct right decision or wrong decision with respect to particular situations faced in a business. In many cases it is not guided by the ethical principles of decision making, the normative principles of decision making which will help us make proper ethical decisions with respect to a particular situation. In many cases due to the lack of this training what happens what we may think as a right decision may not be a right decision as per ethical, through the ethical lens as it is concerned. We may think like we have taken a right decision, but if judged from the ethical lens if judged with respect to the different theories which are there it may so appear the decision taken was not ethically correct.

Next is what we find there have been continued occurrences of ethical infractions from different business houses. So, what happens? Because people are moved more by the outcome of making a profit and they feel like this outcome of gaining money at the cost of however, we do it is what it means by business without much concern about the processes and how we are dealing with our different stakeholders.

So, it has raised concerns among the different stakeholders and the society at large. So, the ethics business, ethics training and education is very important to understand like how to make a proper ethical decision where we are concerned not only on whether the outcome that we have decided, the ultimate decision that we have made for the business is it right or wrong. But also the way the process followed to arrive at that decision those are also put under the ethical lens to find out whether the process followed and the outcome means the whole chain of input throughput and output of the business processes have been done in a ethical way or not, and what are the right and wrong decisions involved and how to take corrective actions at each of these steps.

And that leads to the evaluating of different ways of managing business ethics. We are also concerned about the how business ethics have been taken seriously by the different organizations and how ethics management has been inbuilt in the organizational processes, how ethics is taken care of from the start to the end point in the business processes, and whether it is institutionalized in the organizational policies and practices it also needs to be evaluated. And an evaluation of that will show whether the commitment of the business house towards the ethical right value oriented decision is there or not, values of right or wrong is there or not.

And also when you are talking of why, what you get by studying business ethics or what you get by following ethical principles in your business throughout the process of the business it is of course, interesting and rewarding because when because it adds to a positive you having a positive impression on the mind of the different stakeholders and it increases the reciprocal it strengthens the reciprocal relationship between the different stakeholders and also the organization. So, you gain on that social capital where there is a strong bond developed between yourself and your different stakeholders and that is how you stay in the mind of your different stakeholders. And that gives also you a self-satisfaction in the way like yes I have done my business properly and I have added value not only in terms of money, but also in giving back to the society in a positive way.

So, this satisfaction and the social image the bond the capital that you generate by being in a good relationship with your different stakeholders are of course, rewarding for the organization.

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Types of Ethical Issues

- Systemic—ethical questions about the social, political, legal, or economic systems within which companies operate.
- Corporate—ethical questions about a particular corporation and its policies, culture, climate, impact, or actions.
- Individual—ethical questions about a particular individual's decisions, behavior, or character.

Here, as the course will progress we will try to look into the different aspects of business ethics, ethical decision-making with respect to like, issues with respect to three different layers - first is you are talking because you can see here talking of the relationship of the organization with its different stakeholders and the stakeholders getting affected by and the organization in the organization and the stakeholders are affecting the organization and within the organizations are also individuals who are making decisions for the organization based on their own values and the organizational values that are getting followed.

So, what we find like we can discuss the ethical issues at three different layers these three different layers are first is we call the systemic layer - which the ethical questions about the social political legal or economic systems within which the companies operate. Corporate layer - ethical questions about a particular corporation and its policies, culture, climate, impact or actions and of course, at the individual layer means ethical questions about a particular individual's decisions, behaviors or character.

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Next, we will move on to business ethics in different organizational contexts.

Thank you.