

**Business Ethics**  
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**Lecture - 10**  
**Normative ethical theories and descriptive ethical theories, western modernist ethical theories**

Welcome you all. Today we will be discussing on the topic of Ethical Theories. In the last two sessions we have discussed about what is business ethics? Why it is important? We have tried to discuss also about what is the corporation, we have discussed about corporate social responsibility we have discussed about corporate social responsiveness and the social performances of the organization. And we have also discussed the role of corporate citizenship and what are the different perspectives of corporate citizenship today we are going to discuss about the ethical theories guiding decision making with respect to different business situations.

Now, what are ethical theories? Ethical theories are the rules and principles based on different lenses that we take the lenses are this different theories which the guiding rules and principles according to these different lenses which help us in judging what is right and wrong with respect to a particular business situation. So let us see; what is the coverage of today's discussion through the different modules.

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- Module1: Normative ethical theories and descriptive ethical theories
- Module 2: Western Modernist ethical theories
- Module3: Alternative perspectives on ethical theories
- Module 4: Models of ethical decision making
- Module 5: Individual and situational influences on decision making

In normative ethical theories, today first in the first module, we are going to discuss the normative ethical theories and descriptive ethical theories. In the second module, we will discuss the western modernist ethical theories. Third module, we are going to discuss the alternative perspectives on ethical theories. In the fourth module, we are going to discuss models of ethical decision making and in the fifth module we will discuss the individual and situational influences on decision making in organizations normative ethical theories and descriptive ethical theories.

Now, when we are discussing suppose right and wrong in a everyday's life, these decisions are somewhat simple in nature like do he do this with respect to like or we do that do we drive through the right side of the road or do we do go through the left side of the road, these are sometimes guided by legal like laws governing the may be rules of driving in that particular country, if we are trying to decide like is it to tell a lie in order to save a friend, this also depends on personal values which may be guiding the person the strength of relationship of friendship between you and your friend and so on and so forth.

But have you ever seen from the stakeholder theory, whenever we are talking of business processes and business decision making the situation is not very simple, rather it is complex as all the stakeholders are interconnected with each other and also the stakeholders of stakeholders are also a your stakeholders. So, while you are judging what is right and what is wrong, this is the complete decision because you have to keep the demands and needs differential demands and needs of different stakeholders in your mind and they have to think of taking balance decision that we got.

When you are talking of ethical theories, generally we take two three different viewpoints about the ethical theories means whether they are some absolutes regarding, what is absolute universal right and universal wrong or the right and wrong depends on the different types of situations that you are in different areas that you are regions that you are functioning in. And also the different types of occurrences that it is happening and there is no absolute right and wrong based on this whether there are absolute rights or wrong or not. We can classify the ethical theories into major two classifications which are called normative ethical theories and descriptive ethical theories.

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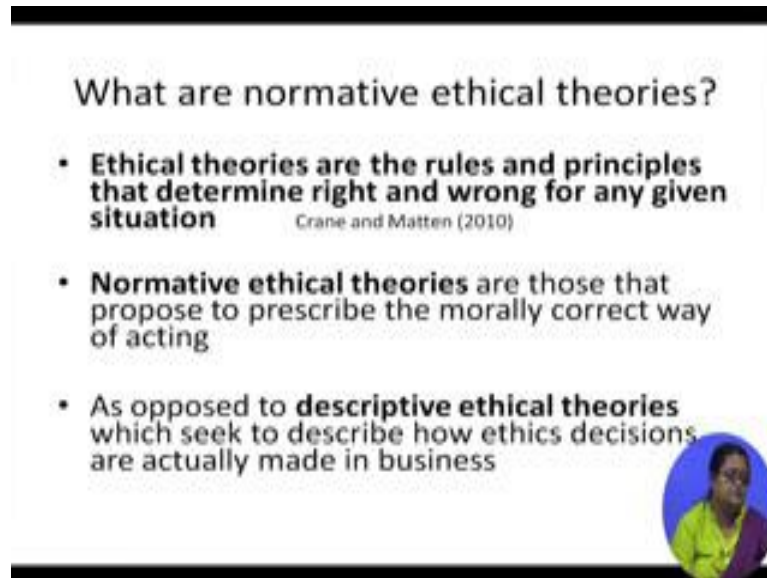
### The role of ethical theory

- Two extreme positions (De George 1999)
- **Ethical absolutism** claims there are eternal, universally applicable moral principles
  - Right and wrong are objective qualities, can be rationally determined
  - Typically traditional ethical theories
- **Ethical relativism** claims morality is context-dependent and subjective
  - No universal right and wrongs that can be rationally determined; depends on person making the decision & culture in which they are located
  - Typically contemporary ethical theories

We see like there are two extreme positions, one which is called ethical absolutism and the other which is called ethical relativism in the ethical absolutism we see like there are some these theories claims there are some eternal, absolute universally applicable moral principles which are absolutely right through all different situations or if something is wrong then it is wrong through all different situations and these are called traditional ethical theories, why because they believe like these there are right and wrong is whatever is right or whatever is wrong these are very objective phenomena objective qualities and can be rationally determined and it remains stable across situations and different conditions. So, these are called traditional ethical theories.

The relative is on view ethical relatives which is on extremely opposite view to it tells no ethics is contextual and it is subjective in nature, not objective in nature because the explanation of what is right and what is wrong the meaning of what is right and what is wrong may defer from person to person and are from culture to culture. So, this context specificity helps us or the person specificity helps in determining what is right and wrong for the meaning of right and wrong for that particular person in that particular situation. So, ethical relativism claims that there is no universal right and wrong that can be rationally determined and it depends on the person who making the decision in a particular culture and which they are located and these are called contemporary ethical theories.

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### What are normative ethical theories?

- **Ethical theories are the rules and principles that determine right and wrong for any given situation**  
Crane and Matten (2010)
- **Normative ethical theories** are those that propose to prescribe the morally correct way of acting
- As opposed to **descriptive ethical theories** which seek to describe how ethics decisions are actually made in business

What are normative ethical theories? Normative ethical theories are those ethical theories which try to propose like the morally correct way of acting in either given situation and it is expected to be correct throughout descriptive ethical theories it seeks to describe how ethical decisions are actually made in business.

In the there is a certain difference where you are talking of relativism as we discussed earlier and the descriptive relativism as we are discussing in this descriptive ethical theories because descriptive ethical theories are focusing on how in practical situations real life situations ethics decisions are actually made in business and they do not try to propagate that they are some rights and wrongs which are accepted as right and wrong in that particular context where as the context relative relativism as we discussed earlier it is telling in a there is right and wrong which is context specific and like persons specific also.

Though it is relativism, but still its contemporary theories as we discussed contemporary theories of ethics which takes into consideration relativism we will be discussing them under normative theories only because they try to prescribe that yes there is a morally correct way of acting the difference between the traditional theory and the contemporary theories is that the traditional normative theories they try to focus on and tell like there is only one way of universally thinking right and wrong which is equally true across different situations.

Whereas the contemporary ethical theories normative theories tells there are situations specific right and wrong and persons specific because the person is taking decision with respect to particular situations. And so compare to it the descriptive relative theories are telling these are focusing on the practical ways in which decisions are being made in business and they are not prescribing like there is any true prescribed right and wrong across different for taking business decisions and they try to focus on how people are trying to do decisions in business situations, our focus of discussion over here is we accept like there is pluralistic with like it is nothing is truly absolute nothing is truly relative.

But we try to accept like both exist together and this is called ethical pluralism the traditional and the contemporary theories that will be discussing over here we try to discuss about the different lenses of looking through same problem. And trying to analyze it through the lens of these different theories so that we can justify the descriptive ways of taking ethical decisions, because it descriptive ways we can tell this is what we have taken the decisions that if we have to justify it, if we have to analyze it and tell, we have to take help of the normative ethical theories whether it is contemporary one or a traditional one.

And these theories will help in a decision making process with respect to a particular issue and as described in the descriptive theories.

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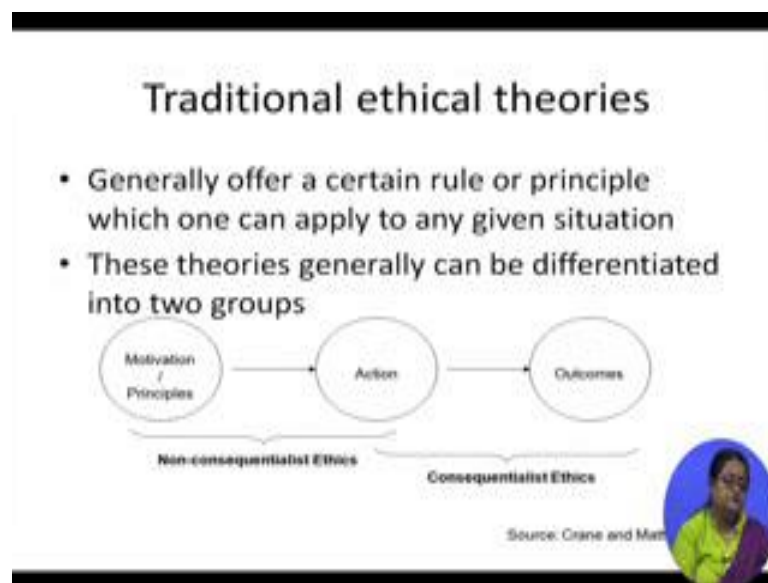
### North American and European origins and differences

- Differences between Anglo-American and European approaches based on philosophical arguments
  - Individual versus institutional morality
    - US tend to individualistic perspective
    - Europe towards wider economic and governing institutions
  - Questioning versus accepting capitalism
    - US tend to accept the capitalist framework
    - Europe tend to question the ethical justification of capitalism
  - Justifying versus applying moral norms
    - US tend to focus on application of morality
    - Europe focus on justification and ethical legitimization of norms
- In contrast, Asian perspectives tend to be based on religion (e.g. Islam, Buddhism)

What we find over here is there are difference is in the again as we discussed in the last sessions difference is in the perspectives taken between the European, American and the Asian ways of looking into like how we whether do it taken individual perspective or we taken institutional perspective who is responsible for the moral actions type of thing then whether we take a traditional views or whether we take a contemporary views in analyzing a particular situations. And whether these theories of ethics are based on ethical norms and justifications or it is the perspectives are based to certain extend also on religions, and the values that the religions want to propagate about. So, there are different orientations as we can see with regard to these 4-5 aspects.

Now, here with we focusing on the western modern ethical theories. So, what you see in this diagram is the ethical action.

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The action about which the decision is to be made is in between, on the left hand side is the motivation or the principles guiding the particular action and the action is leading to a particular outcome generally the traditional ethical theories which applies to certain rules or principles which one can apply across any given situation. These theories can be generally classified under two broad headings, one is called the consequentialist theory and the other is called the non-consequentialist theory.

If you see the consequentialist theory is more related to the outcomes and the non-consequentialist theories are more related to the process is in which the which motivates

people or the principles which guides the action according to the consequentialist theories. So, an act is taken to be ethically right if the outcome that is generated from that action is taken to be beneficial for the people that it is targeted to and there it is taken like the acts is ethical in nature.


For the non-consequentialist perspectives, it focuses on not the outcome, but the way in which things are done and tells whatever may be the outcome the way in which things are done are more important. So, if the path followed by what is the path followed by the action what are the processes taken in order to which that outcome if that is done in a right way then we tell like the whole process is ethical in nature according to the non-consequentialist view for our discussion over here.

We will consider, we will focus on not only the consequentialist ethics, but also on the non-consequentialist ethics and we try to say like both are equally important for deciding on whether you are actions are right actions or wrong actions it is not over just by thinking it is not enough to just think like if the outcomes are link positive benefits positives results then my action is ethically I am right and also too much concern with processes and do it in a right way without deciding on the purpose for what I am doing it whether that purpose itself outcome itself is right and wrong then also it is not totally ethically in nature.

So, we have to balance between these two things and then we can tell it is you should not only be the outcome focused, but you should be processed focus also and if you processes done ethical way and the outcome that you talk of is also ethical in nature the together it tell like you are on the track of following the ethics in the true sense of the term.

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Major normative theories				
	Egoism	Utilitarianism	Ethics of duties	Rights & justice
Contributors	Adam Smith	Jeremy Bentham John Stuart Mill	Immanuel Kant	John Locke John Rawls
Focus	Individual desires or interests	Collective welfare	Duties	Rights
Rules	Maximization of desires/self interest	Act/rule utilitarianism	Categorical imperative	Respect for human beings
Concept of human beings	Man as an actor with limited knowledge and objectives	Man is controlled by assistance of pain and gain of pleasure ("hedonist")	Man is a rational moral actor	Man is a being that is distinguished by dignity
Type	Consequentialist	Consequentialist	Non-consequentialist	Non-consequentialist

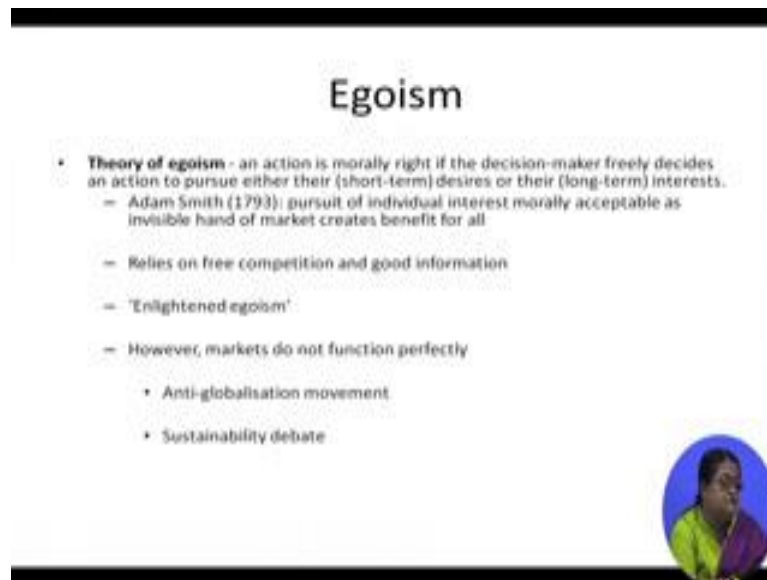


We will be discussing here 4 major normative theories, these are egoism, utilitarianism, ethics of duties and rights and justice. So, the focus over here for egoism is the individual desires or interest in utilitarianism, it is collective welfare in ethics of duties, it is the duties and in rights and justice, it is the rights of the people. We will focus on each of the theories separately.

And in details, in the next upcoming discussion what we see egoism and utilitarianism these are taken to be consequentialist in nature and ethics of duties rights and justices these are taken to be non-consequentialist in nature. So, we will discuss about two consequentialist theories and two non-consequentialist theories in a next lab of discussion.



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## Egoism

- **Theory of egoism** - an action is morally right if the decision-maker freely decides an action to pursue either their (short-term) desires or their (long-term) interests.
  - Adam Smith (1793): pursuit of individual interest morally acceptable as invisible hand of market creates benefit for all
  - Relies on free competition and good information
  - 'Enlightened egoism'
  - However, markets do not function perfectly
    - Anti-globalisation movement
    - Sustainability debate

We will start with egoism first. What is egoism and where does it start from? Egoism starts from its root in the self love of the person which we called narcissism. Self love is maybe the first love that the person gets after getting born and throughout its life, it is there we cannot deny that we do not love on self it is there and where we are taking of all this ethical theories, we are trying to focus on the expanding the benefit given and reducing the harm produced. So, benefit and harm are the two terms that you are going to way with respect to all the different theories. So, when you are talking of egoism. So, we are trying to focus on whether some of our own rights, desires, etcetera are getting interest, etcetera, I getting fulfilled and if it is yes then we talk like it is the and the actions followed are ethically in nature if it is not then we tell the actions followed are not ethical in nature.

To describe egoism, let us see the total definition the theory of egoism tells that and action is morally right if the decision maker freely decides, this word important is freely decides and action to pursue either their short term desires or their long term interests this word freely decides is important because it talks of rational decision maker who can be all the different possible alternatives available to him or her and then take a decision which he or she thinks is beneficial for himself or herself.

So, this word freely decides, the word free is very important to over here, Adam Smith, it declares that is pursuit of individual interest morally acceptable as invisible hand of the

market creates and creates benefit for all and it relies on free competition and good information it relies on, it tries to focus on a sense of enlightened egoism means if some of the purposes that I want to be fulfilled and I get the chance to fulfilled it without being endurances being given by others and it leads to a sense of pleasure for me then we talk of enlightened egoism.

Benefit and harm pleasure and pain are also concepts which are connected with the concept of egoism; however, we understand the markets do not function properly and they are of course, anti global movement globalization movement and sustainability debate. what is anti globalization movement is where in anti globalization due to (Refer Time: 27:24) we are aiming at giving like a universal type of world one believe and all this things, but it is not answering to may be due to the fax like yes there are cultural differences and social and political disparities divergence between 2-3 different regions.


And that is why the markets do not function properly as evenly as it is claimed here. And if you are talking too much of egoism satisfaction or own outcome and it leads to a pleasurable outcome then maybe we are compromising on the need of the future generation also to survive on the things that is there at the present and if to seek the make our own outcomes pleasurable it may so that we may neglect the demands of the next generations to come.

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## Utilitarianism

- According to **utilitarianism**, an action is morally right if it results in the greatest amount of good for the greatest number of people affected by the action
  - Also called the 'greatest happiness principle'
  - Based on cost-benefit analysis



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That is the debate for sustainability according to utilitarianism. So, these could be the criticism of like the last two things that we discussed could be the criticism for egoism in the sense in egoism, we are talking mainly of a narrow self interest where we are talking of me and me desiring some positive outcome. And if it becomes successful if it becomes that positive outcome and it gives me a pleasurable feedback, I become happy with it and they may feel the way things have been done are ethically in nature, but it may.

So, happen there could be conflicting interest of the different parties existing in society. And if all start moving by this egoistic frame work where they want their own self interest to be addressed first and to be taken care of then it may so happened one person moved by the nature of egoism may not think of the harm like produced to the other person in the society, in order to fulfill his or her desire for like to get certain things, process certain things and satisfy his or her own outcome.

To answer to this criticism we come up with the next group of theory which is also consequentialist in nature is called universalism or when we talking of universalism we are trying to focus into expanding from the single individual to when you thinking of the good done and this good is in terms only not over not only for harms and benefits not only of pleasure and pain, but would be good feeling also. So, when you are talking of this good end state or out come and you are broadening definition and you are trying to expand it to all not only to my own self and we are discussing of our then this universalism comes.

And in the one way to advice to this is the next theory which we called utilitarianism in utilitarianism the difference is with one of the major difference with egoism is the coverage given. So, as we told in egoism it is in state goal which is favorable to one individual to own self where you talking of end state goal good done for. So, that it reaches a greater number of people here we are trying to coverage of towards everyone and there we are trying to talk of coming out from one we are trying to reach many and if possible most and all. So, there comes the concept of universalism and we are trying to move forward to that.

When we are discussing utilitarianism according utilitarianism and action is morally right if it results in the greatest good of greatest amount of good for the greatest number

of people affected by action and it is also greatest amount of good for the greatest number of people who get affected by the action this is also called greatest happiness principle and it is based on a cost benefit analysis. However, some questions over here are which becomes the criticism of universalism as trying to propagated through this utilitarianism theory is like see when in this portion you talking of greatest amount of good for the greatest number of people affected by the action, it is trying to appear like we are giving a coverage to a great number of people and we are trying to connect with them and if we are able to do it then only we take action to be morally right.

However, certain question marks in this area which are foods for thoughts for critical analysis are who defines what is good because the concept of good or bad the concept of getting something greatest amount of good in terms of good could be happiness, good could be pleasure, pain, good could be some other concept also, who defines what is good for a particular society, who defines what amount it got when lead to greatest number of good. So, first is who defines what false under this category of good second is given what amount it will qualify to be greatest amount of good third it is again claimed that it is bleaching greatest number of people affected by the action how to investigate about what is the greatest number of people who is affected by the action, and the greatest amount of good reaches that portion of people, what do we think about the may be the small number of people who are affected by the action, but still this amount of good the greatest amount of good does not reach them and that is how our discrimination as been created.

These could be the point of debates for utilitarianism theory to take care these issues criticism utilitarianism theory as further we explained by two theories which are called act utilitarianism and rule utilitarianism.

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## Act- and Rule-Utilitarianism

**Act utilitarianism**

- Looks to single actions and bases the moral judgement on the amount of pleasure and the amount of pain this single action causes.

**Rule utilitarianism**

- looks at classes of action and ask whether the underlying principles of an action produce more pleasure than pain for society in the long run

According to act utilitarianism, it looks to single actions and bases the moral judgment on the amount of pleasure and pain this single action has caused in rule utilitarianism we look not only at the single action, but classes of action and try to ask whether the underlying principles of an action produce more pleasure and pain for the society in the long run. So, compare to act utilitarianism act utilitarianism here we are comparing one trying to study one situation. And what is the moral pleasure and pain derived out of theses single action in rule utilitarianism. We are looking to similar kinds of actions which are talking of class of actions and which is trying to tell about certain underline principles guiding those actions and there we trying to focus on whether the underline principles of an action which is producing more pain or pleasure and which is more pleasurable as compare to the pain to society in the long run if it is. So, then we tell like it is ethical in nature.

However, the criticism of this utilitarianism perspective as already discussed as been on two major things who defines what is good how much amount of it will lead to deciding that it is good and ethics have been followed and done and of course, like can we quantify everything in terms of cost and benefit? The cost and benefit is another important term which is may be becoming synonyms with utilitarianism because the acts utilitarianism rule utilitarianism or the theory of utilitarianism as propagated it talks of the benefits and pleasure gained for from a particular action compared with a pleasure gained from the other comparable action, but we also have to weigh with the pain

produced or the cost involved to get the benefit and then we should look into the relative pleasure or relative gain from the decision taking.

Second is when you are talking of cost benefit analysis of understanding whether or actions are morally correct or not, there are certain feelings there are certain outcomes which may or may not be equated in terms of cost benefit analysis like mothers love child's smile or young person son dying. So, these types of things and the associated outcomes related to it cannot be analyzed in some cases based on the cost involved or the gains involved from in terms of monetary equivalents. So, there when we talking of cost benefit analysis it may become a problem to use this utilitarianism concept of judging what is right and wrong and that may act as a barrier of decision making that may act as a limitation of using utilitarianism theory for proper decision making in the organization.

In egoist theory and utilitarianism theory are the two major theories that we are covered under the heading of traditional normative theories which are consequentialist in nature, next we will move forward to traditional normative theories which are non-consequentialist in nature.

Thank you.