

**Business Ethics**  
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**Lecture – 02**  
**Business Ethics in different organizational contexts**

Welcome back. In the last sessions we have discussed about what is business ethics and why business ethics is important for the organization. In the course of discussion, we have focused into elaborating the definition of business ethics to different types of business and business situations.

And, accordingly now, we are going to focus on the issue of business ethics in different organizational contexts. Let us see how the business ethics differs according to the different nature of organizations.

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Differences across organizational types				
Stakeholders	Large corporations	Small businesses	Civil society organizations	Public sector organizations
Main priorities in addressing ethical issues	Financial integrity, employee/customer issues	Financial integrity, employee/customer issues	Delivery of services to clients, integrity of tactics, legitimacy and accountability	Rule of law, corruption, conflict of interest, procedural & accountability issues
Approach to managing ethics	Formal, public relations and/or systems-based	Informal, trust-based	Informal, values-based	Formal, bureaucratic
Responsible and/or accountable to	Shareholders and other stakeholders	Owners	Donors and clients	General public, higher level government organizations
Main constraints	Shareholder orientation, size and complexity	Lack of resources and attention	Lack of resources and formal training	Inertia, lack of transparency

Adapted from Business ethics: Cases and Materials (2<sup>nd</sup> ed) - 01/08

So, here what we find like the stakeholders are different organizations which are; either it is a large corporation, it is a small business, it is a civil society organization. Civil society organizations are those organizations which get formed to voice about those stakeholders who cannot speak for themselves or place their demands to the business house. And the civil society organizations speak for their demands, they take up those issues as their issues and they try to place those demands in front of the business house and try to see

that their needs or demands are addressed properly by the corporation. And also we have public sector organizations.

So, here we are going to discuss the 4 different types of organizations: large corporations, small businesses, civil society organizations, and public sector organizations. As we can understand from the names itself, like they differ in their nature of their main focus, their priorities and how they are doing their business, and they are responsible to which stakeholders primarily. So, let us focus into the different subparts of how business ethics is applied differently and how the focus of ethics changes differently for these different organizations, and what are the major problems faced by these organizations, and constraints of these organizations and how they approach ethics differently. How the approach of ethics are different for these different organizations according to the nature of their business.

So, the main priorities in ethical addressing ethical issues if you can see: for the large corporations it is financial integrity employee or customer issues, why because as these are for profit organizations and their primary concern aim is to make money in the process of doing their business. So, financial integrity is a major concern for these organizations and also to deal with the employees and the customers issues related in the whole process. For small businesses also though it is not as a large scale as the large corporations are concerned, but small businesses also for profit small businesses get formed for making value addition in terms of money. So, financial integrity is again one of the major concerns and areas of priority for small businesses along with employee and customer issues.

For civil society organizations, as I already discussed they get formed; the civil society organizations are formed to speak about the needs and demands of those stakeholders who cannot speak for their own demands, cannot place their own demands in front of the corporations, in front of the business. Civil society organizations take up their issues and they try to voice; they act as a voice for these stakeholders. So, one of the priority areas priorities of ethical issues for these civil society organizations is delivery of mission to the clients.

So, whatever they tell like they are addressing the needs of the stakeholders, the mission is to address the needs of the stakeholders and to see like the stakeholder's needs are

addressed properly by the business houses. So, delivery of mission to the clients is one of the priorities of the civil society organization. Along with the techniques the tactics taken to make the or needs prominent in front of the corporation or the tactics taken to voice about those needs to the corporation there should be some integrity in those tactics. So, integrity of tactics, legitimacy of the processes and the accountability for their actions: the steps that they are taking to make the message or to communicate the message from the stakeholders to the business house. So, the whole process they should be taking the accountability of their actions also.

Next when you are talking of public sector organizations, what we are mainly focusing on the priorities of ethical issues are here, rule of law, corruption, conflict of interest, and procedural and accountability issues. Why? Public sector organizations because of their spread and because of their different hierarchies, because of the formal processes involved inside, and the government, and the different other stakeholders involved in it, and for the purpose that it is formed.

So, in many cases the conflicts of interest may play a part whether like between the government and the other stakeholders there could be conflicts of interest and whether I am using these resources for my own interest, my personal own interest or for the interest of the public at large. We will discuss these issues in details in the next upcoming discussions of the different modules. But here we can see like for the public sector organizations following of the rules and the laid down laws then corruption then dealing with the conflicts of interest and procedural and accountability issues are the major priorities of the public sector organizations.

Next, after we have dealt with the priorities in addressing ethical issues we will look into the approach of how ethics is managed in these different organizations. So, next we will be dealing with the approach to managing ethics. In large corporations what we find it is formal, public relations and or system based. So, to maintain a transparency of the whole system because all the above points that we have discussed in the priorities of addressing ethical issues, what we find one of the underlying steps is of course maintaining transparency in the different processes that you are following.

So, for large corporations it is formal, public relations and or system based. So, it is a formally laid down process to take care of the employer employee-relations, the

organizations-customers relations and to see there are different audit processes to see the financial integrity is maintained or not and it is systems based. So, there is public relations done through different; your messages given to different announcements done about the processes done in the organizations and it is systems based also.

When, in case for you see like same objective priority is financial integrity employee customer issues the small businesses has the same ethical priority as that of the large corporation. But, because it is a small business which may or may not have the resources to manage ethical issues to get it ingrained in the formal system, it needs proper infrastructure, it needs a proper networking done, it needs to be ingrained within the design of the organization and the business. And the small businesses may not have the strength or the infrastructure for that.

So, in the approach to manage ethics for the small businesses are in many cases it is informal and trust based. So, if you are comparing it with the large corporations; the large corporations with the same priorities and objectives you find managing ethics for the large corporation is formal public relations and are system based, but for the small business for the same issues priorities it is informal and trust based.

For the civil society organizations again you see it is informal and values based. So, there is no formal laid down structures which are properly defined systems in place which will have checkpoints to see, like the ethics is followed properly in all the processes of the organization. It mainly depends it is mainly informal in nature and it is based on the values that the organization follows and it encourages its members to follow. So, based on this mutual relationship, trust based relationship like we will be following the values for which we have formed; we will be following the values and be focused towards the mission for which the organization is formed, because we identify with the values for which the organization is formed; that is the basis that is the strength on which the civil society organization is based to and that is the point where they go for managing the ethics.

For public sector organization as you see the main focus is on rule of law and to deal with the corruption conflict of interest procedural and accountability issues. What we see again ethics is managed in a formal way and by a bureaucratic structure of the organization. This bureaucratic structure of the organization makes your accountability,

defines your accountability for the part of action you are doing, and make you answerable for your actions to yourself and to your higher or higher authority or lower people also. So, because there is formal chain of command and bureaucratic structure is there that is how it tries to arrest the corruption and conflicts of interest.

Next comes to whom these different organizations are responsible too. So, when we are discussing responsible and or accountable too there also we find there are different stakeholders who are getting their prominence when we are talking, where lies the accountability of these different types of organizations. For the large corporations you can see it is the mainly the shareholders and other stakeholders. So, why shareholders have come in the prominence, because we believe in large corporations are formed to give back value in terms of money. And it is the shareholder's money whom they are taking and investing in different business purposes. So, primarily they feel like they are accountable to the shareholders and also definitely to other stakeholders.

In case of small businesses it is to the owners because in many cases it is small business starts as an entrepreneurial venture; so it is the owner's or partnership. So, it is the owners to whom the business is mainly responsible for, because it is not taking up money from other sources as is done by the large corporations. So, when you see responsible and accountable too priorities are again financial integrity for both, where it is shareholders in case of large organizations for small businesses it is towards the owners.

Responsible and accountable to for the civil society organizations is of course towards the donors and the clients. Why donors and clients? Because the civil society organizations take surviving because it is the donors who are also interested in the same objective in the same mission as they are trying to reach to as that organization. And that is why may be they have donated their money to the civil society organization for their survival, and also to the clients in the case like people whom they are serving. So, the main responsibility of the civil society organizations they are accountable to the donors and their clients.

Responsibility or accountability in case of public sector organizations are of course towards the general public. For because it is for their benefit that these organizations are there, and also to the higher level government organizations means regulatory bodies

government organizations who are there to oversee, like this rule of law is followed, no corruption is there no conflict of interest is there and procedural and accountability issues are maintained. So, the responsibility in this case is first to the general public at large and also to the higher level government organizations.

What are the main constraints which hinder or which acts as barriers in the ethical processes being followed in the way of decision making or in the way how these businesses are actually doing their businesses; how these organizations are actually moving forward with what they are doing. Main constraints seen for the large corporations it is of course shareholder orientation. As I focused in this part they are mainly focused to the shareholders because the thing they have taken money from the shareholders and their primary responsibility lies to the shareholders. And in this effort sometimes their responsibility towards the other stakeholders of the businesses gets neglected. And that is where the constraint lies.

So, mainly a shareholder orientation and second the size and complexity involved in the business may give rise to different. First the shareholders orientation is what it may like lead to lack of focus on the other important stakeholders involved in the business, and the size and complexity of the business; may in certain cases hinder the decision making processes because the complexity involved may give rise to the conflict of interest between the different stakeholders, where also stakeholders within the organization and stakeholders external to the organization also and their interconnected relationships may lead to like prioritizing of them and conflict of interest may arise due to the size and complexity of the business.

The main constraints for small businesses of course are; lack of resources in terms of may be money, in terms of other resources to organize a formal ethical ethics management system properly within the organization. So, this lack of resources may lead to sometimes again conflicts of interest we whom to give priority first sort of thing, because major thing we do not have the resources to provide for all the, to see the values and ethics are followed at each of the steps that we are doing business too, because we are a small organization we need to survive first and it is our how and ever whatever we are doing we need to survive and we may not be able to follow all the rigorous steps that are involved to see. That whether we are doing our business in ethical way or not, because first we have to exist first we have to survive and then we may need to see how

we are doing our business that could be a constraint. Because of this lack of resources that can be constraint in terms of whether they are following the processes in doing the business in an ethical way or not; when you are talking of civil society organization again, because civil society organizations are surviving to major extent on the donations given by the different donors.

So, lack of resources is one of the primary constraint and also lack of proper training to see how ethical decision making orientations can be used in the things that they are trying to address, how it is to be followed in maintaining integrity of tactics and legitimacy and accountability. So, this lack of formal training to know how to apply the ethical decision making principles are some ways constraints for the civil society organizations along with the of course the primary constraint which is the lack of resources, not only in terms of money but also in terms of human resources and other resources also.

Next, when you are talking of public sector organizations; the major constraint if you see is inertia means because it is a bureaucratic system in many cases and the needs have to be addressed for the general public at large there could be certain inertia working within the organizational design itself. And due to this large bureaucracy here also the problem is same as like that of large corporations where the size and complexity of these public sector organizations may give rise to inertia and lack of transparency of how they are doing the business. The size and the complexity involved the reporting relationships who are going to report to whom, and the time taken for the information to follow from one node to the other node all these complexities may give rise to inertia.

And because the chain is so elaborate people are not able to see the connection between their actions and their outcomes, because I am not able to see where how I am contributing to the ultimate outcome the job is defined and that is the frame given to me. So, I am not able to make a connection between the things I am contributing too or not contributing too. And how it is affecting the whole scenario at large this may give rise to inertia and lack of transparency due to the size and the complexities involved in the business.

So, here what we have tried to focus on is like business ethics is how we are applying ethical rules and principles, and how we are trying to focus on the activities that we are

doing and the decisions that we are following in different situations of businesses. That is the study of business ethics. Here in this particular discussion we have tried to focus on how the different situations in which the different organizations; we have discussed here 4 different types of organizations which are in 4 different types of business situations: the complexities, the challenges, the situations, the processes for these different organizations are different. Accordingly, because their challenges complexities situations are different their focus the priorities of these organizations are also different. To some it is the financial integrity, to some it is addressing the mission or to see like they are speaking of the voice of the stakeholders who cannot express themselves, and to some which is public sector organizations. Mainly it is to see that it is not diverting from the major rules and law, because it is addressing the needs of public in general the citizens of that country in general.

So, due to this difference in priorities and due to the difference into the access to different resources involved they have their how they are managing the ethics, whether it is formalized, whether it is informal, whether it is trust based, whether it is rule based or not; these also differ based on their access to different resources. The responsibilities and accountabilities of these 4 different organizations are also different, like whether they are responsible to the shareholders primarily, the owners the donors and to the clients or to the public at large. The constraints are also different because the size, the complexities, lack of resources these may give rise to different constraints.

So, what we find given in these situations, given in the complexity of the ways that these organizations are functioning like, given the differences in their priorities, given the differences in the way that they manage their ethics, given the differences in their to whom they are responsible and accountable for. We have to consider whether a decision has been taken and the processes followed are right or wrong in the context of that particular business. So, this discussion focuses on that whenever we are trying to come to a conclusion like this decision or these activity has been right and wrong, it is very much essential that we keep in our mind the differential nature of the business situations and the differential nature of the organizations for whom we are taking to be whether this has been a right or wrong decision.

We have to take it within the context of the particular organization, and within that context, within that situation, within that frame of reference of how the organization is



doing its business and what are the constraints involved and the priorities of that organization, then we have to see whether they have taken a right or wrong way and a right or wrong decision.

Thank you.