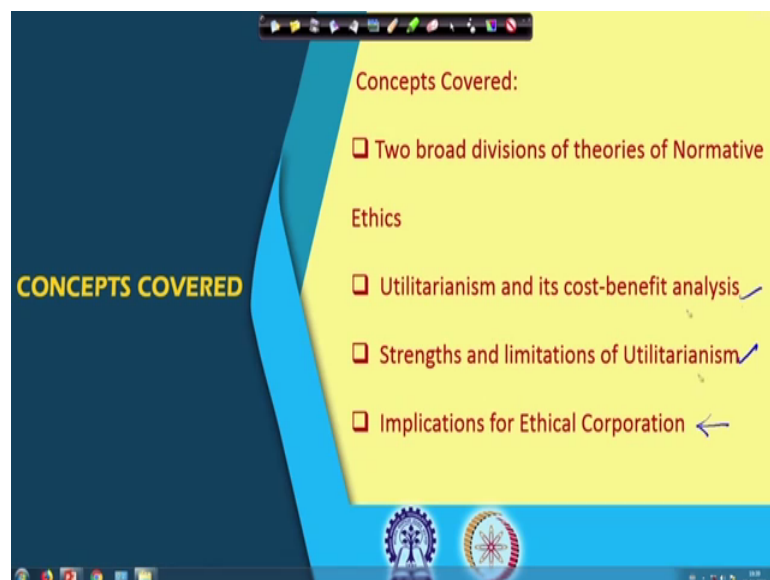


**The Ethical Corporation**  
**Prof. Chhanda Chakraborti**  
**Department of Humanities and Social Sciences**  
**Indian Institute of Technology, Kharagpur**

**Lecture - 06**  
**Normative Ethical Theories: Utilitarianism**

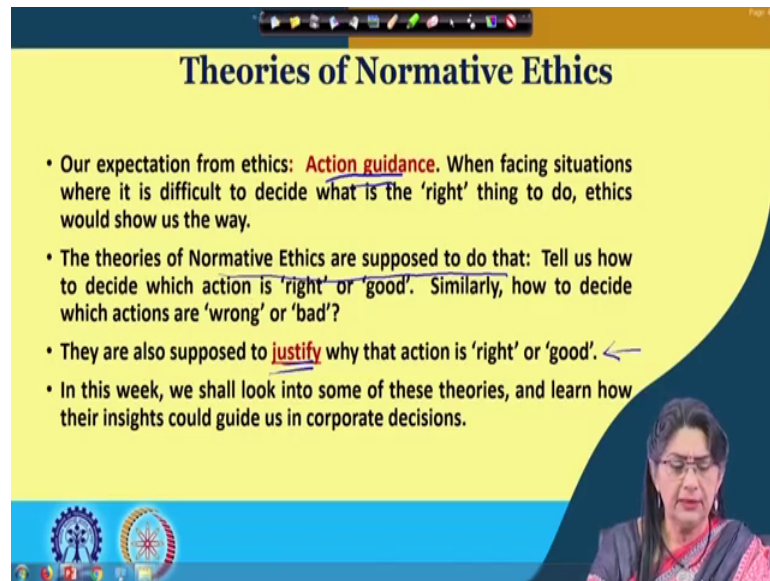
Hello, we are here at the week 2 of Ethical Corporation course. And our talk today is going to be on Normative Ethical Theory the first one namely the theory of Utilitarianism.

(Refer Slide Time: 00:41)



We are going to talk about how the normative theories are classified into two broad divisions and then we will start out with utilitarianism, and it is very famous cost benefit analysis. And then we talk about the strengths and limitations of utilitarianism also and then finally, what does it all mean, what does this theory mean for ethical corporation.

(Refer Slide Time: 01:11)



The slide is titled "Theories of Normative Ethics" in a bold, dark blue font. The background is yellow with a dark blue curved shape on the right side. At the top, there is a navigation bar with various icons. At the bottom left, there are logos for institutions. At the bottom right, there is a video inset of a woman with glasses and a red necklace. The text on the slide is as follows:

- Our expectation from ethics: **Action guidance**. When facing situations where it is difficult to decide what is the 'right' thing to do, ethics would show us the way.
- The theories of Normative Ethics are supposed to do that: Tell us how to decide which action is 'right' or 'good'. Similarly, how to decide which actions are 'wrong' or 'bad'?
- They are also supposed to **justify** why that action is 'right' or 'good'. ←
- In this week, we shall look into some of these theories, and learn how their insights could guide us in corporate decisions.

So, that is the route we will follow in going through this lecture. First of all in terms of the normative theories, if you just ask then why what do we expect from this theories, the answer is that we asked them to guide us in our actions. When it is difficult to decide what is right, what is wrong, we want the theories to shed some light and show us the way.

So, first of all the theories of normative ethics are supposed to provide us with action guidance. Moreover they are also supposed to explain why a certain action is right or wrong. So, that is called justification. So, this is why we are looking into the ethical theories and we are hoping that there would be some guidance for us, which we can apply in our concept of ethical corporation.

(Refer Slide Time: 02:08)

**Theories of Normative Ethics: Two broad divisions**

**CONSEQUENTIALIST THEORIES**

- Decide whether an action is ethically 'right' or 'wrong' by looking at the **consequences or the outcome**
- If outcome 'good', action 'good' ✓
- If outcome 'bad', action 'bad' ✗

**NON-CONSEQUENTIALIST THEORIES**

- Decide whether an action is ethically 'right' or 'wrong' by looking **at other than the consequences**
- Some actions, no matter how ethically good their consequences are, are still unethical.

The broad division that I was talking about, if you take the theories of normative ethics then there are two broad groups in which you can divide; one is called consequentialist theories it is a mouthful, but consequentialist and this is a group that is known as non-consequentialist theories. The consequentialist theories are called so, because they insist upon the outcome or the consequence of an action.

In fact, they say if you want to know whether an action is ethically good or right you look at the result. If the result is good, action is good, if the action is bad, the action is then the result is bad, action is bad. On the other hand the general message that you are going to get from the non-consequentialist group, they would talk about not at all about the consequences. In fact, they would ask you to look at other aspects of the action we will talk about this more, but let us go forth.

(Refer Slide Time: 03:19)

**Accordingly...the theories are**

**CONSEQUENTIALIST**

- Utilitarianism

**NON-CONSEQUENTIALIST**

- Kant's Deontological Ethics
- Ethics of Justice & Fairness
- Virtue-based ethics
- Ethics of Care

swamyam

Among the consequentialist theories we are going to look as I said into this theory called utilitarianism. And you will soon understand why we are classifying it among the consequentialist theories. Under the non-consequentialist in this week we are going to go over these theories. And we each time we are going to find out what does this theory has to offer to us in terms of ethical corporation.

(Refer Slide Time: 03:54)

**Utilitarianism**

- Proponents: Jeremy Bentham, John Stuart Mill (19<sup>th</sup> CE English thinkers and social reformers). Context was devising beneficial social policies, e.g. about education, housing
- Says: **That action is right which will produce the greatest good or utility for the greatest number**
- "good" → utility, value, benefit, happiness. Make a positive contribution.
- "Greatest number" → (i) As many persons concerned, affected by the action or the decision (**stakeholders**), as possible. (ii) **May or may not** include the decision-maker. Impartial decision, set aside personal interest. So, it is **not** pure self-interest maximization.

swamyam

So, first of all what is this theory, what does it tell us? Its proponents are two English reformers and thinkers who belong to 19th century Jeremy Bentham and John Stuart

Mill. If you want you can look them up in the internet also on your own to know more about their thinking and their works.

But, I need to give you a little bit of a context here, before so, that you can understand the theory better both Bentham and Mill, what they were trying to do was to devise good social policies. During that time after the industrialization England was not in great shape. The society the societal structure of England was not in great shape the poor were not in ideal living conditions whereas, the industrialization brought a lot of wealth for certain class, the poor working class; however, did not have enough of anything.

In fact, if you take a look into the housing, then their housing was really one of the worst of that of those times. So, you can understand now that these people Mill and Bentham they were looking into how to reform the society so, that they can generate good for all people. So, the idea is here they said that action is ethically right, which we will produce the greatest good or utility for the greatest number.

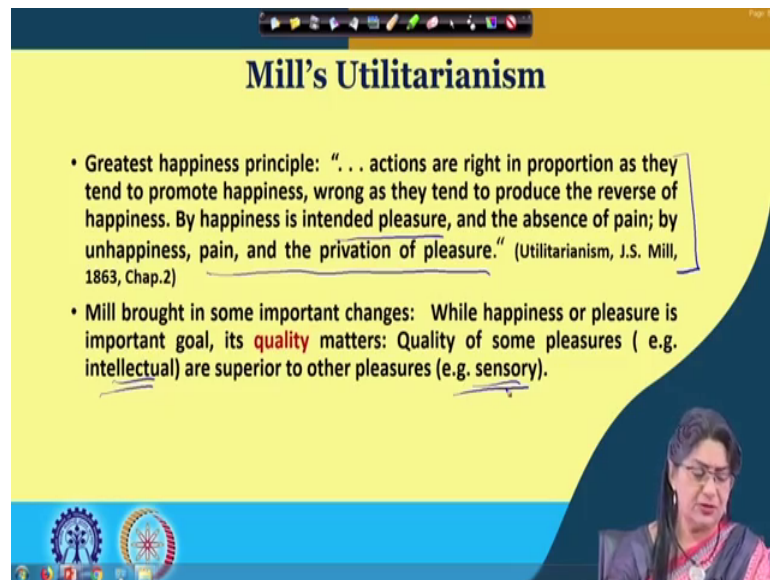
So, that action is right which will produce which means you are looking into the consequences. What kind of consequences? Something that would be good, for whom? For the greatest number. How much good? Greatest good for the greatest number, this is what they said. Now, how do we understand what is good well you can call it utility or which brings value, positive value for the greatest number, some sort of benefit if you can if you want to say or happiness in general for the greatest number.

So, in general we are talking about consequences that would bring positive changes for the greatest number. Who are this greatest number for that I would say try to apply that thought about stakeholders. You know stakeholders we have touched upon in the beginning week of this course. So, people who are affected by this decision or action in this case and try to include them as many of these people as possible. So, greatest number of stakeholders, would the greatest number include the policymaker or the doer of the action.

Suppose, I am thinking about my action is it going to serve greatest number? Should I include myself in that, now utilitarianism says that you may or may not be included in that? For example, what would serve the greatest number may also serve you may be beneficial for you also, but that is not necessary. What serves the greatest number may

not serve you as beneficial, but still you should do that why, because this is what we are following, you need to bow down your self interest in that case to the greater interest of greatest number. So, in that way remember utilitarianism is not really self-interest maximization.

(Refer Slide Time: 07:57)



### Mill's Utilitarianism

- Greatest happiness principle: “. . . actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness. By happiness is intended pleasure, and the absence of pain; by unhappiness, pain, and the privation of pleasure.” (Utilitarianism, J.S. Mill, 1863, Chap.2)
- Mill brought in some important changes: While happiness or pleasure is important goal, its **quality** matters: Quality of some pleasures ( e.g. intellectual) are superior to other pleasures (e.g. sensory).

This is a Mills utilitarianism who contributed after Bentham and as you can see it is a direct quotation from Mill, which says that “actions are right in proportion as they tend to promote happiness, wrong as they tend to produce the reverse of happiness, if you want you can call it suffering. By happiness is intended pleasure and the absence of pain; by unhappiness, pain, and the privation of pleasure”.

This is mills understanding of what comes under the good the utility namely happiness. Mill also brought in some important changes for example; he said that there are qualitative differences among happiness or pleasures. Some pleasures are qualitatively superior to others. Say for example, he would say that you know try to promote intellectual pleasures because they are better or superior to mere sensory, pleasures sensory here means that gratifies your sense organs ok.

For example, pleasure that you get from eating food that is a sensory pleasure. Whereas, the pleasure that you get by reading a book that would be an intellectual pleasure Mill made that kind of a difference a distinction in them.

(Refer Slide Time: 09:25)

**Classifying the Stakeholders**

Freeman (1984): Stakeholders may have their stakeholders. We may classify as : **Primary** and **Secondary** stakeholders.

- **Primary**: Without whom the company cannot survive. E.g. **Investors, employees, customers.**
- **Secondary**: Not so essential for the survival of the company, but they may be able to help or harm the company. E.g. **NGOs, Media.**
- A manager's job is to create sufficient value / satisfaction for the primary stakeholders first.

Carroll and Buchholz (2000):

- (i) **Primary and Secondary**
- (ii) **Internal and External: Internal stakeholders.** E.g. **Employees, the external stakeholders.** E.g. **the Media**

Now, once more let us revisit the idea about the greatest number who are they? And I said you can think in terms of the stakeholders. Now, let me bring in some classification among the stakeholders, you see stakeholder means people who are affected or can affect your organizations objectives.

Now, remember a stakeholder may have their own stakeholders. If you are thinking about the corporation then the employees of that corporation are stakeholders, but the employees have their own families. So, those families are stakeholders of the employees and through the employees they are also stakeholders of the corporation.

So, now you can understand that easily the stakeholder relationship can become a really large network. How do we operationalize? How do we you know this way if you continue then the whole world might be connected to each other you know. So, instead of that people have said that maybe we can up for operational reasons; we can make a classification like this, primary stakeholders and secondary stakeholders.

In terms of a corporation we can say, the primary stakeholders would be those without whom the company would not even run would not even be able to function. For example, the investors for example, the employees they are primary. On the other hand the secondary stakeholders are those were not so, essential for the operation of the company

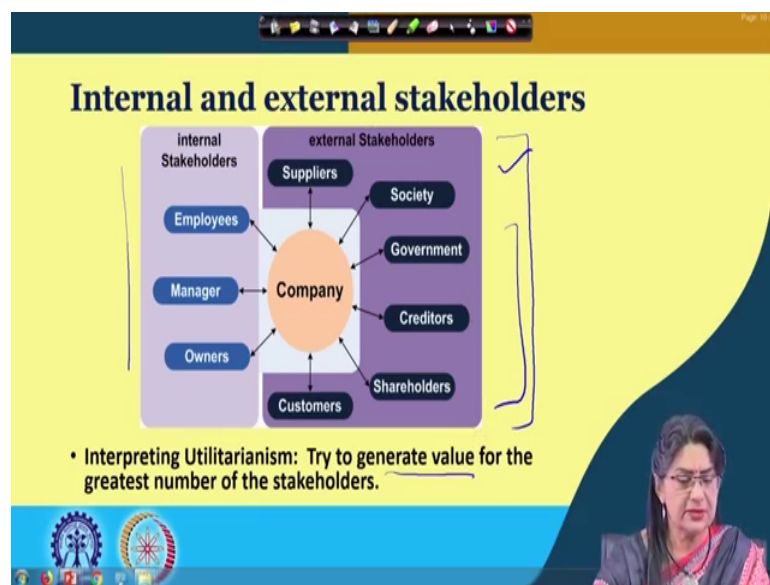


for the survival of the company, but still they may affect or be affected by the corporate activities.

For example media, for example, NGOs you know they are there. So, in general it is said that the manager's job is to and in the foremost duty is to create sufficient value or satisfaction for the primary stakeholders. Carroll and book holds gave this kind of a classification for stakeholders. Primary and secondary which we have already heard about then the brought in also something called internal and external stakeholders.

Internal stakeholders are those who belong to in to the corporation; for example, the employees whereas, external stakeholders are those who are in the society, but outside the corporation for example, the media.

(Refer Slide Time: 12:08)



This is the kind of picture that you might have in your for helping you to understand this, that in terms of a company if we look into it. Then internal and external stakeholders can be looked as like this. Now, breaking it back to utilitarianism so, who are the greatest number the answer is the stakeholders, which stakeholders. Now, generally the idea is to generate positive value for the greatest number of stakeholders, who if you still ask, but for whom then; obviously, they would say the primary and the internal would be the first choice.



But, then you also need to remember the external stakeholders. That is why the point is that the idea is that you try to do the greatest good for the greatest number if possible for all, but when you cannot make everybody happy, then at least you try to generate positive value for the greatest number as possible. This is the lesson from utilitarianism in terms of stakeholder theory.

(Refer Slide Time: 13:19)

**Utilitarianism: Calculating the consequences: Cost-benefit analysis**

- The analysis is supposed to be done before engaging in the act. For each possible course of action, one is supposed to consider its **probable consequences**
- Consequence calculation is a projection into the future. Future is uncertain. We calculate all the **foreseeable outcome**.
- Consequences of an action / decision are likely to be mixed sort. May have some 'good' (benefit) results and some 'bad' (Cost or Harm) results.
- In Utilitarianism, what you need to look for is the **greatest balance of benefit over the cost or harm** to maximum number of the affected. **NET BENEFIT**
- An action is **ethically obligatory** if produces greatest net utility / value by its outcome in comparison to that of the other choices

An action is **ethically wrong** if its net utility is lower than the rest of the choices

An action is **optional**: If its utility is no less or no higher than the rest of the choices.

Now, there is a big element in utilitarianism that is known as the cost benefit analysis. What this analysis is to look into the consequences in details. And this is supposed to be done before one engages in the action. So, this is like  $t = 0$  before you have done or taken up a decision this is just to try out as a probability exercise, what would be the probable consequence if I do this.

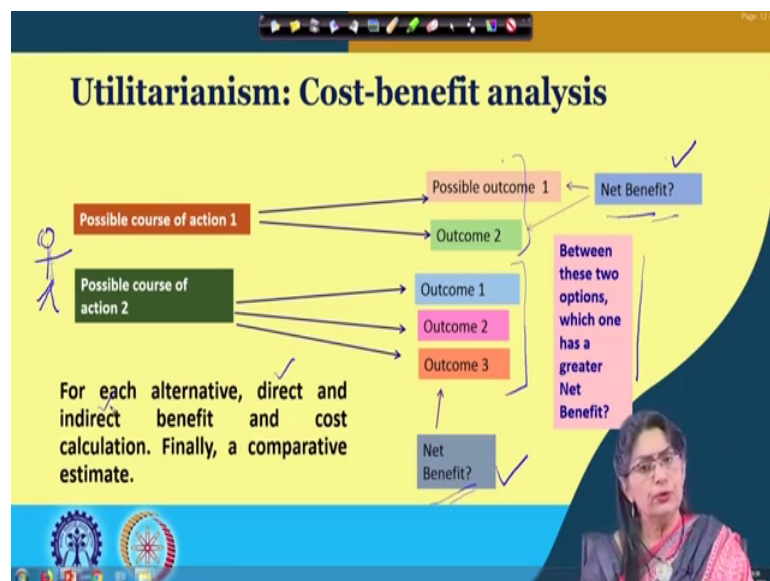
So, that is the calculation of the consequences, but not actual consequences these are probable consequences, because you have not yet done that action, you have not yet taken that decision. So, this because future is uncertain so, still what we will utilitarianism would say is that you look at all the foreseeable outcomes, being a reasonable person what would be a reasonable outcome if you do this. In that we also need to remember that consequences come in a mixed bag. There is nothing called unmixed good result or unmixed bad result, but usually it is a mixed bag where there are some good results and then there are some bad results.

As to produce the good results there might be some costs that one has to incur also, we will take examples I will try to example and give you illustration with example also, but let us take the point forward. Now, when you are looking into the benefit and the cost the good result and the bad result, utilitarianism asks you to look into the net benefit, the net, the balance of benefit over the cost or the harm. The net benefit when we said greatest good we actually you need to remind yourself that what we are talking about is the greatest net benefit.

So, that you the balance of the between the took the plus and minus or positive negative must be looked into. Now, clearly from utilitarianism therefore, the ethical messages like this, that action is ethically obligatory or is duty if it produces the greatest net utility to value in it is outcome for the greatest number. In comparison to other choices you may have number of choices of actions, but the one that produces the great get this net utility for the greatest number is an ethical duty.

An action is ethically wrong, if the net utility is lower than the rest of the choices you should not do that utilitarianism would say that whereas, an action would be optional if it is utility is no less or no higher than the rest of the choices. So, it prevents optional. So, this is the cost benefit analysis.

(Refer Slide Time: 16:28)



We will see it in schematic form like this say here you are here. And at this moment what you are trying to do is what to do sorry about that stick figure, but this is you and you are trying to think, what to do? And suppose you have a possible choice between action 1 and action 2. You want to open a store, do I open a store or do I not open a store this could be some of the choices, these are examples. And for each action you need to project some possible outcome ok.

And in this outcome remember outcome for whom the answer is for the greatest number of people who might be the stakeholders here. In this outcome you are supposed to do a calculation of the net benefit here, for this choice 1 ok, which one is beneficial which one is less beneficial, what are the cost and overall, what is coming out? Is their net benefit here or the benefit is lower than the cost this kind of calculation needs to be done. Same thing you need to do for choice 2 and there also you know you are going to generate a net benefit calculation.

Now, the comparison is between this options net benefit and these options net benefit. And, then choose which one has a net benefit that one is the right action according to utilitarianism. So, there are a lot of details to be picked up from the cost benefit analysis and when you are calculating cost benefit they say, that there might be some direct cost or benefit, there could be also an indirect cost benefit.

Similarly, we will show you that there can be tangible cost and intangible cost, tangible benefit, intangible benefit also. Let us take a look into examples now.

(Refer Slide Time: 18:36)

**Example 1**

- Refrigeration technology change, product change: The decision to shift from the CFC emitting technology and the product based on that technology to CFC-free technology, and products based on CFC-free technology
- Options: To change (Option 1) or not to change (option 2)
- Option 1: Cheaper and easy to manufacture and use (**benefit**)  
But, it depletes the ozone layer and thus endangers all (**cost**)
- Option 2: Relatively expensive (**cost**)  
But it does not further damage the ozone layer, environment-friendly (**benefit**)

Conclusion: **Net benefit of Option 2 is greater.**

• Cost, benefit: Not just financial, and tangible. Not just private benefit. **Greater good.** Not just private cost. Social cost.

The first one example, I would like to give you is you know this whole you must have heard, that refrigeration technology what we used to have earlier was problematic? Because, it had this problem of emitting chlorofluoro carbon, which is directly has been found to be directly related to ozone layer depletion, which is not good for anybody. Because, there are many harmful rays that penetrate through this the ozone layer is the protective barrier.

So, ozone layer depletion is not very good at all, which is why the now we talk and there has been a change towards CFC-free technology and products based on that CFC free technology. So, here are if you are using the utilitarian cost benefit analysis, then the choices are like this, that you change to a CFC free technology or you do not change you just take the CFC based technology which one.

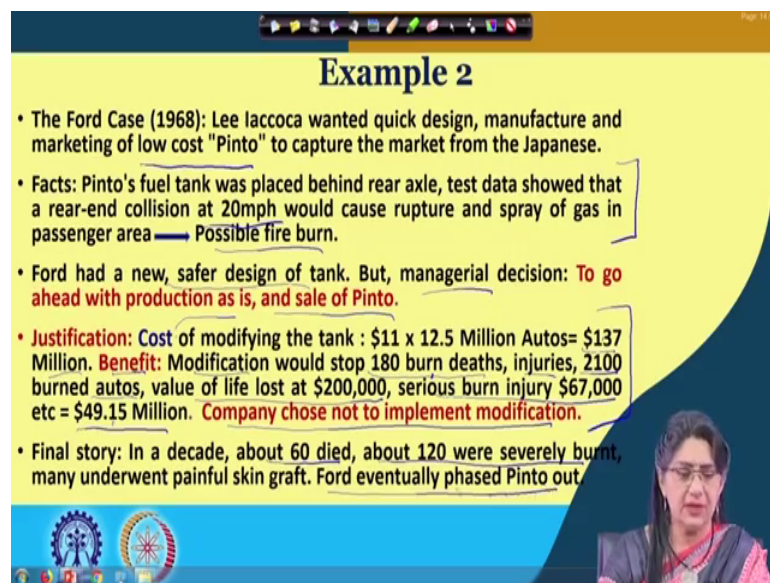
Now, if you think about that I want to stay with the CFC the earlier technology please note that it is much cheaper, cost wise it is cheaper and it is easy to manufacture. So, this is a benefit, but if you look at it then there is a tremendous harmful effect there is a cost, the negative consequences that it depletes the ozone layer and they actually it puts everybody in danger.

On the other hand if you choose the CFC free technology it is relatively expensive. So, there is a cost, but if you look at the benefit it does not damage the environment in that

sense. So, it is environment friendly. So, when you do this kind of comparison estimate you find that the net benefit of changing is much greater; you are calculating it for all remember the greatest number. And you find that the benefit is actually value wise and number wise is also greater therefore, you choose this. In fact, industry government this was a great collaboration to shift from the CFC base technology to CFC emitting technology to the CFC free refrigeration technology.

From this what we can learn is that cost benefit need not be just financial and tangible and there is not just private benefit, but greater good the greatest good for greatest number also tells us that we need to be cautious about the greater good. So and similarly there is not this private cost, you know there is social cost which actually affects a lot of people. So, this is an example where we understood how does cost benefit analysis can be applied?

(Refer Slide Time: 22:00)



**Example 2**

- The Ford Case (1968): Lee Iacocca wanted quick design, manufacture and marketing of low cost "Pinto" to capture the market from the Japanese.
- Facts: Pinto's fuel tank was placed behind rear axle, test data showed that a rear-end collision at 20mph would cause rupture and spray of gas in passenger area → Possible fire burn.
- Ford had a new, safer design of tank. But, managerial decision: **To go ahead with production as is, and sale of Pinto.**
- **Justification:** Cost of modifying the tank : \$11 x 12.5 Million Autos= \$137 Million. **Benefit:** Modification would stop 180 burn deaths, injuries, 2100 burned autos, value of life lost at \$200,000, serious burn injury \$67,000 etc = \$49.15 Million. **Company chose not to implement modification.**
- Final story: In a decade, about 60 died, about 120 were severely burnt, many underwent painful skin graft. **Ford eventually phased Pinto out.**

Let us take another example, this is the famous or the infamous case of the Ford Pinto, the Ford Company and it is the product launching of it is Pinto car. Now, this is way back in the 60s the Lee Iacocca was an iconic figure in Ford Company at that time. And in that during that time, the Japanese cars were flooding the American market, everybody wanted the Japanese cars because they were small, they did not consume too much gas and also they were efficient and so on. And Ford company being an American company; obviously, felt that they also need a market share.

So, their answer was the low cost Pinto. The Japanese cars were cheap and so, the Ford company tried to bring out something that would be cost wise, economical at the same time would give the consumer everything that the Japanese cars gave. So, here is the Pinto; pinto means small. Now, while they were eager to launch this car, the Ford company found out that there is a problem in the design of the Pinto.

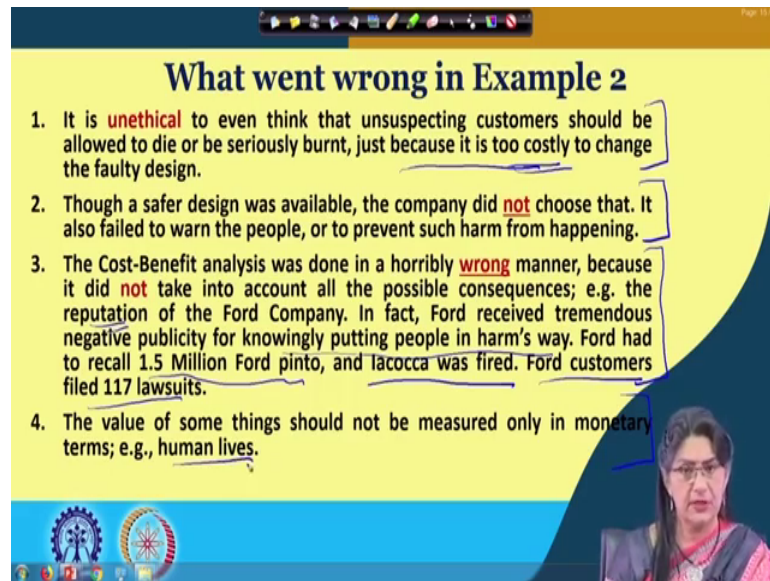
Namely, that the fuel tank was placed in such a position that, the rear end collision. You know, if you are driving in highway and the possibility always is there that somebody would rear end you that is hit you from the back. And in case it even at 20 miles per hour that would cause situation which would lead to possible fire burn of the passenger and the driver.

Now, they had a new and safer design of tank, but they did some cost benefit calculation the managers did, some cost benefit calculation and they decided to go ahead with the production as is without any change, not only that they also okayed the sales of the Pinto. Now, what was that cost benefit calculation this is what we found out they did. How did they calculate? They took the cost of the modification; you know if you change the design the cost would be they said something like this 137 million US dollar.

The benefit they counted like this that, if we change the design that would stop some 180 burn deaths these are probabilities, you need to understand the probable consequences. And injuries and about 2100 burned autos and value of life lost at 2100 US dollar, serious burn injury costing this much and the total came out to be this.

Now, you see that they said that the design change cost would be much higher than the benefit. And this is how the company chose not to implement the modification. What happens is history after this. Namely finally, what happened is that in a decade about 60 people died they estimated for 180, that is not the point about 120 was severely burned and they thought you know they had some other calculations. But, the effect was that they had to finally, face the Pinto out the product was not accepted at all by the society not only that there were other irreparable damage to the reputation of that company let us take a look.

(Refer Slide Time: 25:47)



**What went wrong in Example 2**

1. It is **unethical** to even think that unsuspecting customers should be allowed to die or be seriously burnt, just because it is too costly to change the faulty design.
2. Though a safer design was available, the company did **not** choose that. It also failed to warn the people, or to prevent such harm from happening.
3. The Cost-Benefit analysis was done in a horribly **wrong** manner, because it did **not** take into account all the possible consequences; e.g. the reputation of the Ford Company. In fact, Ford received tremendous negative publicity for knowingly putting people in harm's way. Ford had to recall 1.5 Million Ford pinto, and Iacocca was fired. Ford customers filed 117 lawsuits.
4. The value of some things should not be measured only in monetary terms; e.g., human lives.

Now, what went wrong in example this example the Ford case? Now, first of all are we saying that this is how the cost benefit analysis is in utilitarianism I will show you that it is not? They did a very wrong interpretation of what it means to do the cost benefit analysis according to utilitarianism, but let us just find out what was wrong in terms of their ethical approach to this case.

First of all I would say that it is unethical to even think that you know you can allow people to die especially the unsuspecting customers, just because it is too costly for the company to change the faulty design. You know there is something very very seriously ethically wrong something very socially responsible in that behavior to think, that only the cost to the corporation is what matters not peoples life not the consumers safety.

Second, we saw that the company had access to a much safer design, but they chose not to use it. And in fact, they fail to warn the people also. They could have prevented that harm by recalling or by alerting the customers, but they did not. Third as you may have anticipated that they did the cost benefit analysis completely wrongly. Why, because they did not take all possible consequences into account. In fact, they did not even count the reputation loss as a cost, they only thought about the financial cost.

But, the intangible cost of their brand value getting affected the loss of reputation, the loss of social trust in the Ford company they did not calculate that in, because people in



fact, understood the case as that Ford has knowingly put people in harm's way. And that and therefore, the recipient is flak from the society. In fact, they had to recall 1.5 million Ford Pintos, which is always very expensive and, but that is what they were they were asked to do I mean that was societal expectation their people were enraged by the behavior of the Ford company. And it led to the loss of job for Iacocca, because he approved this managerial decision and the Ford customers were angry and they took the company to the court.

So, you see this is risk benefit analysis going wrong and the there is also the fact that they only used monetary value to in the cost benefit analysis. Whereas, you and I might say that some things cannot be measured only in quantitative term, only in monetary values for example, human lives or the misery that you can inflict on humans.

(Refer Slide Time: 29:04)

**Strengths of Utilitarianism**

- Common sense approach ✓
- Egalitarian ✓
- Focus on human well-being ✓
- A decision-procedure ✓
- Widely used ✓

So, let us do a sum up here, then what we have heard is that utilitarianism is a consequentialist theory. And that you have if you have understood it is very commonsensical because it just says what we intuitively feel, that if we have to assess whether an action is good or bad we look into the consequence and that is what they say.

Its very egalitarian; egalitarian here means that in treats everybody equally, because you know we it tries to treat including the person who is making the decision as part of the number, the greatest number, the it believes in aggregation. So, it looks at greatest

number and everybody is treated in the same way. There is obvious emphasis on bringing welfare or well-being to the greatest number. So, that way the theory has a plus point it gives us a decision procedure, the whole cost benefit analysis is how in finite steps you can find out, whether this action is good or that action is good and so on. And its popularity is very very well established.

(Refer Slide Time: 30:18)

**Limitations of Utilitarianism**

1. Problem of measurement:
  - (a) The cost and benefit are 'perceived' cost and benefit from a certain perspective. Subjective element . May not be acceptable to all.
  - (b) Are all 'pleasures', 'pains' quantifiable? E.g. Value of life, health, etc.
  - (c) Problem of making interpersonal comparisons: your happiness vis-avis my happiness. How far egalitarianism in this respect is defensible?
2. Exclusive attention to outcome overlooks other morally significant points; e.g. the manner in which the result was brought, the motive
3. In the name of greater good, allows bringing harm to a few, or exploitation of the minority. May allow to override minority RIGHTS

So, these are strengths of this theory, what would the limitations, what are the minus points? One entire group of criticisms is about the whole measurement remember, it says greatest good for greatest number and that is almost like saying there is a number game. Now, some of the there are criticisms, but I have only given you some examples here, in that measurement of happiness.

First of all you know who is going to decide, what is benefit and what is cost? Whosoever is going to decide is going to be influenced by the subjectivity, there will be some bias, there will be perception of that person which will decide this is cost this is benefit. Whereas, that definition may not be acceptable to all you and I might differ on what is cost what is benefit and so on.

Second, we just touched upon this point that not all pleasures and pains may be quantifiable. For example, value of life, but if you cannot quantify then how am I going to calculate the aggregate value or the net utility, that we are talking about. The third one

is about comparison; you know it says that you take a look into the greatest happiness for the greatest number, which means that we have to do an aggregate calculation. But, how do I do a greater very discrete and different items, is your happiness comparable to my happiness though both are happiness is, but are they comparable or are they like apples and oranges. And how far do we allow equal treatment in this, how safe is that?

Second, as you know that this is a consequentialist theory, it looks only into the outcome, but is that good are we not overlooking other morally significant points such as the manner in which you bring the result, you know sometimes that could be a problematic one and that should be ethically significant also. And finally, because it has an emphasis on greater good for the greater number, there is always a danger about bringing injustice to the minority.

Those who are not part of that greater number, there is always possibility in this theory to either trample over their right or to not look into their interests. So, this is these are some of the limitations that are built into the theory.

(Refer Slide Time: 32:58)

**Upshot for Ethical Corporation**

- A ethically sensitive Corporation must learn to take cognisance of how a corporate decision may affect the others: **Impact** on the key stakeholders. The decision is Corporation's, but its ripple effect is widespread
- An ethical Corporation should not consider benefits to itself alone.
- The net utility calculation: Must also include **non-financial, intangible** costs and benefits into consideration.
- Integrating the idea of **greater good** in products, designs, processes, pricing, how to treat internal and external people.
- An ethical Corporation must adopt **safeguards** to avoid **injustice to the minority** while promoting greater good, when a corporate strategy is devised.

Now, when I say that I do not mean that utilitarianism is not going to be used. I only mean that we need to be cautious about using utilitarianism because there are this kind of flaws already built in there. So, you need to work around that, what is it? What does it all mean for ethical corporation?

Now, in this I think the first point is that first of all that the ethically sensitive corporation must be aware about how its decisions and how its activities affect the others you know impact. Though the decision and the action is corporations, it does not remain content in itself, it is ripple effect spills over and touches many and that is a point to understand from this utilitarian analysis.

Second, that when looking the idea about the greater good is one of the biggest contribution from utilitarianism. And it reminds us that an ethical corporation should not be only obsessed with its own benefits, it must also have considerations about what is good for rest of the people. The net utility calculation for example, it reminds us that there can be non-financial costs and benefits, intangible costs benefits; you saw the example of Ford company how risky is not to take this into consideration.

And as I said the idea about greater good we can pick up a lesson from here, how to implement and integrate the idea of greater good in every phase of the operation, in the products, in the designs, in the processes, and the pricing, and how you are treating your people.

And finally, because if there is a probability in when you are being utilitarianist to overlook the rights of the minority or to do injustice, you should be cautious and you must adopt safeguards, while promoting greater good one should not override the rights of the minority. So, an ethical corporation which is trying to for example, acquire land for the greater good, should not try to overrule the rights of those people for example, a small group of people who might stay in that live in that locality.

So, there should be compensation plan there should be some sort of employment generation plan. So, that nobody feels that they have been deprived of their rights.

(Refer Slide Time: 35:47)

**References:**

- John Stuart Mill. *Utilitarianism*. Indianapolis, Indiana: The Bobbs-Merrill Co. Inc. 1957.
- E.J. Mishan (ed.). *Cost-benefit analysis*, 3<sup>rd</sup> ed. London, CUP. 1982.
- MacIntyre, Alasdair, *Utilitarianism and Cost-Benefit Analysis: An Essay on the Relevance of Moral Philosophy to Bureaucratic Theory*, Kenneth Sayer (ed.), Notre Dame University Press, Notre Dame, Indiana, 1977.

The slide features a dark blue background on the left with the word 'References' in yellow script. The right side is a light yellow trapezoidal shape containing the text. At the bottom right, there is a small video inset showing a woman with glasses. At the bottom center, there are two circular logos: one of a tree and one of a sun.

These are some of the references, which we can use for your further understanding of the theory.

(Refer Slide Time: 35:54)

**Conclusion:**

In this lecture, I have discussed two broad divisions in which the theories of normative ethics may be grouped. As an exemplar of consequentialist ethics, I have discussed the theory of classical Utilitarianism next with couple of examples. After discussing the strengths and the weaknesses in the theory, I have talked about the takeaway lessons from the theory for an ethical Corporation.

The slide features a dark blue background on the left with the word 'Conclusion' in yellow script. The right side is a light yellow trapezoidal shape containing the text. At the bottom right, there is a small video inset showing a woman with glasses. At the bottom center, there are two circular logos: one of a tree and one of a sun.

But overall what I have done is to be I have discussed utilitarianism as an example of consequentialist ethics. And I have shown the strengths and the weaknesses of the theory and I have talked about the cost benefit analysis with examples. And finally, I have talked about the takeaway lessons from the theory for ethical corporation that is how far I will go.

Thank you very much and we will meet again.