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## UNIT 15 ETHICS AND VALUES

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### Objectives

After reading this unit you should be able to:

- explain the meaning of business ethics;
- understand the concept and scope of business ethics;
- understand ethics and its relation to different stakeholders;
- build the case for ethics in business and new dimensions in the changing business paradigm;
- discuss on ethics in market place and organization's external and internal exchanges
- debate towards the objections to bringing ethics into business

### Structure

- 15.1 Introduction
- 15.2 Concept of Business Ethics
- 15.3 Scope of Ethics
- 15.4 Stakeholders and Ethics
- 15.5 Business and Ethics
- 15.6 Business Ethics and External Environment
- 15.7 Business Ethics and Internal Environment
- 15.8 Ethics and Business : Objections
- 15.9 Summary
- 15.10 Self Assessment Questions
- 15.11 Further Readings

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### 15.1 INTRODUCTION

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Every business has an ethical duty to each of its associates namely, owners or stockholders, employees, customers, suppliers and the community at large. Each of these affect organization and is affected by it. Each is a stakeholder in the enterprise with certain expectations as to what the enterprise should do and how it should do it.

Business ethics is applied ethics. It is the application of our understanding of what is good and right to that assortments of institutions, technologies, transactions, activities and pursuits that we call business. Ethical behaviour is the best long term business strategy for company , however this does not mean that occasions may never arise when doing what is ethical will prove costly to a company nor does it mean that ethical behaviour is always rewarded or that unethical behaviour is always punished. On the contrary, unethical behaviour sometimes pay off and the good sometimes lose. Strategy means merely that over the long run and for most of the part, ethical behaviour can give a company significant competitive advantages over companies that are not ethical.

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## 15.2 CONCEPT OF BUSINESS ETHICS

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A discussion of business ethics must begin by providing a framework of basic principles for understanding what is meant by the terms good and right, only then we can proceed to discuss the implications of ethics to our business world.

Managers should hold and develop a deeper knowledge of the nature of ethical principles and concepts and an understanding of how these apply to ethical problems encountered in business. This type of knowledge and understanding should help managers more clearly see their way through the ethical uncertainties that confront them in their business lives.

According to the dictionary, the term ethics has a variety of meanings. One of the meanings given to it is, “ the principles of conduct governing an individual or a group”. We sometimes use the term personal ethics while referring to the rules by which an individual lives his or her personal life. A second and more important meaning of ethics according to the dictionary is, ‘ethics is the study of morality’. Although ethics deals with morality, it is not quite the same as morality. Ethics is a kind of investigation and includes both the activity of investigating as well as the results of that investigation – whereas morality is the subject matter that ethics investigates.

Now the basic question which arise is what morality is. It is often said that morality is the standards which individual or group determine about deciding what is right or wrong and good or evil. Moral standards include the norms we have about the kind of actions we believe are normally right and wrong as well as the values we place on the kinds of objects we believe are morally good and morally bad. Moral norms can usually be expressed as general rules or statements such as ‘Always tell the truth’ or ‘it is wrong to kill innocent people’

Ethics is the discipline that examines one’s moral standards or the moral standards of the society. It asks how these standards apply to our lives and whether these standards are reasonable or unreasonable – that is whether they are supported by good reasons or poor ones.

Ethics is however not the only way to study morality. The social sciences – such as anthropology, sociology and psychology also study morality but do so in a way that is quite different from the approach to morality that is characteristics of ethics. It is a descriptive study which tries to describe or explain the world without reaching any conclusions about whether the world is as it should be and does not try to reach any conclusions about what things are truly good or bad or right or wrong. Ethics in contrast, is a study of moral standards whose explicit purpose is to determine as far as possible whether a given moral standard is more or less correct.

The above conveys an idea of what ethics is. Now coming to business ethics, it is a specialized study of moral right and wrong. It concentrates on moral standards as they apply to business policies, institutions and behaviour and how these apply to the systems and organizations through which modern societies produce and distribute goods and services and to the people who work within these organizations. Business ethics therefore includes not only the analysis of moral norms and moral values but also attempt to apply the conclusions of this analysis to that assortment of institutions, technologies, transactions, activities and pursuits that we call business.

To cope up with their complex coordination and control problems, the officers and managers of large corporations adopt formal bureaucratic systems of rules that link together the activities of the individual members of the organization so as to achieve certain outcomes or objectives. So long as the individual follows these rules the

outcome can be achieved, the outcome can be achieved even if the individual does not know what it is and does not care about it.

Business enterprises are the primary economic institutions through which people in modern societies carry on the tasks of producing and distributing goods and services.

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### 15.3 SCOPE OF ETHICS

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The issues that business ethics covers encompass a wide variety of topics. However, business ethics briefly investigates three kinds of issues – systemic, corporate and individual. Systemic issues in business ethics are ethical questions raised about the economic, political, legal and other social systems within which business operates. These include questions about the morality of capitalism or of the laws, regulations, industrial structures and social practices within which business operates.

Corporate issues in business ethics are ethical questions raised about a particular company. These include questions about the morality of the activities, policies, practices or organizational structure of an individual company taken as a whole. Here questions about morality would be a company’s decision to invest millions of dollars on a project that the company knew would probably not generate any profits.

Finally, individuals’ issues in business ethics are ethical questions raised about a particular individual or particular individuals within a company. These include questions about the morality of the decisions, actions, or character of an individual. An example here could be the question whether it is moral for a leader of an organization to allow its researchers to develop a drug that would probably not generate any profits.

Though this categorization may be helpful for our understanding, often we come across decisions that involve a large number of extremely complicated interrelated kinds of issues that can cause confusion unless the different kinds of issues are first carefully sorted out and distinguished from each other. Corporate organizations pose major problems for anyone who tries to apply moral standards to business activities. Must we say that it makes no sense to apply moral terms to organizations as a whole but only to the individuals who make up the organization? Organizations are composed of related human individuals that we conventionally agree to treat as a single unit and they ‘act’ only when we conventionally agree to treat the actions of these individuals as the actions of that unit.

It makes perfectly good sense to say that a corporate organization has moral duties and that it is morally responsible for its acts. However organizations have moral duties and are morally responsible in a secondary sense. A corporation has a moral duty to do something only if some of its members have a moral duty to make sure it is done and a corporation is morally responsible for something only if some of its members are morally responsible for what happened. Individuals are the primary carriers of moral duties and moral responsibilities. However corporate policies, corporate culture, corporate norms and corporate design can and do have an enormous influence on the choices, beliefs and behaviors of corporate employees.

#### Activity 1

- 1) What do you understand by business ethics?

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- 2) Explain how ethics is important for business.

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## 15.4 STAKEHOLDERS AND ETHICS

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A company’s duty to employees arises out of respect for the worth and dignity of individuals who devote their energies to the business and who depend on the business for their economic well being. Principled strategy making requires that employee related decisions be made equitably and compassionately with concern for due process and for the impact that strategic change has on employee’s lives. At best the chosen strategy should promote employee interests and concerns such as compensation, career opportunities, job security and overall working conditions. At worst the chosen strategy should not disadvantage employees. Even in crisis situations, businesses have an ethical duty to minimize whatever hardships have to be imposed in the form of workforce reductions, plant closings, job transfers, relocations, retraining and loss of income.

The duty to the customer arises out of expectations that attend the purchase of a good or services. However, the questions which still abound are, should a seller voluntarily inform consumers that its products contain ingredients that though officially approved for use are suspected of having potentially harmful effect? Is it ethical for cigarette manufacturers to advertise at all ? Is it ethical for manufacturers to stonewall efforts to recall products they suspect have faulty parts or defective designs.

A company’s ethical duty to suppliers arises out of the market relationship that exists between them. They are both partners and adversaries. They are partners in the sense that the quality of suppliers’ parts affects the quality of a firm’s own product and in the sense that their businesses are connected . They are adversaries in the sense that the supplier wants the highest price and profit it can get while the buyer wants a cheaper price , better quality and speeder service. A company confronts several ethical issues in its supplier relationship. The questions that arise are – Is it ethical to purchase goods from foreign suppliers who employ child labour, pay substandard wages? Is it ethical for supermarket chains to demand “slotting fees” from food suppliers in return for placing their items in favourable shelf? Is it ethical to threaten to cease doing business with a supplier unless supplier agrees not to do business with key competitors? Is it ethical to reveal one suppliers’ price quote to a rival supplier?

A company’s ethical duty to the community at large stems from its status as a member of the community and as an institution of society. Communities and society are reasonable in expecting businesses to be good citizens – to pay their fair share of taxes for fire and police protection , waste removal, streets and highways and so on, and to exercise care in the impact their activities have on their environment, on society, and on the communities in which they operate. The questions that arise are – for example, whether it is ethical for a brewer of beer to advertise its products on TV, at slots when these ads are likely to be seen by underage viewers or not? A company’s community

citizenship is ultimately demonstrated by whether it refrains from acting in a manner contrary to the well being of society and by the degree to which it supports community activities, encourages employees to participate in community activities, handles the health and safety aspects of its operations, accepts responsibility for overcoming environmental pollution, relates to regulatory bodies and employee unions and exhibits high ethical standards.

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## **15.5 BUSINESS AND ETHICS**

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One way to argue that ethics should be brought into business is simply by pointing out that, ethics should govern all voluntary human activities and because business is a voluntary human activity. The other way of looking at it is that business is a cooperative activity whose very existence requires ethical behaviour. For example, any individual business will collapse if all of its managers, employees and customers come to think that it is morally permissible to steal from, lie to, or break their agreements with the company. Because no business can exist entirely without ethics, the pursuit of business requires at least a minimal adherence to ethics on the part of those involved in business.

Second, all businesses require a stable society to carry on their business dealings and the stability of any society requires that its members adhere to some minimal standards of ethics. Another persuasive way to argue that ethics should be brought into business is by showing that ethical considerations are consistent with business pursuits in particular the pursuits of profit. As we understand, TATA is renowned for its long standing ethical culture and yet it is one of the most spectacularly profitable companies of all time.

### **The Changing Business Paradigm and Ethical Dilemmas**

Most of the big corporate houses operate globally and maintain manufacturing, marketing, service or administrative operations in many different host countries. With a worldwide presence, these corporations draw capital, raw materials and human labour from wherever in the world they are cheap, skilled and available, and assemble and market their products in whatever nations offer manufacturing advantages and open markets. The fact that these corporations operate in more than one country produces ethical dilemmas for their managers than the managers of firms limited to a single country.

The reason to this is that the corporations have operations in more than one country, and the ability to shift their operations out of any country that becomes inhospitable and relocate in another country that offers it cheaper labour, less stringent laws or more favourable treatment. This ability to shift the operations sometimes enables the multinationals to escape the social controls that a single nation might attempt to impose on the multinational and can allow the corporation to play one country against another. Environmental laws for example which can ensure that domestic companies operate in responsible manner that a country deems right for its people, may not be effective constraints on a corporation that can simply move or threaten to move to a country without such laws. The managers therefore are confronted with the dilemma of choosing between the economic needs and interests of their business, on the one hand and the local needs and interests of their host country on the other hand.

Another set of dilemmas is created since corporations operate plants in several countries, it can sometimes transfer raw materials, goods and capital among its plants in different countries at terms that enable it to escape taxes and fiscal obligations that companies limited to a single nation must bear. Yet another group of dilemmas is faced by multinationals – because they operate in several countries they often have the

opportunity to transfer a new technology or set of products from a developed country into nations that are less developed. The multinational wants to carry out the transfer of course because it perceives an opportunity for profit and the host country wants and allows the transfer because it perceives these technologies and products as key to its own development. However, the transfer of technologies and products into a developing country can create risks when the country is not ready to assimilate them.

### **Ethics in Market Place**

Free markets are justified because they allocate resources and distribute commodities in ways that are just, that maximize the economic utility of society's members and that respect the freedom of choice of both buyers and sellers. These moral aspects of a market system depend crucially on the competitive nature of the system. If firms join together and use their combined power to fix prices, drive out competitors with unfair practices or earn monopolistic profits at the expense of consumers, the market ceases to be competitive and the results are injustice, a decline in social utility and a restriction of people's freedom of choice.

In a perfectly competitive free market conditions forces drive buyers and sellers towards the so called point of equilibrium. In doing so they achieve three major moral values:

- i) They lead buyers and sellers to exchange their goods in a way that is just,
- ii) They maximize the utility of buyers and sellers by leading them to allocate, use and distribute their goods with perfect efficiency, and
- iii) they bring about these achievements in a way that respects buyers' and sellers' right of consent.

Fairness is getting paid fully in return for what one contributes and it is this form of justice that is achieved in perfectly competitive free markets. Perfectly competitive markets embody capitalist justice because such markets necessarily converge on equilibrium point and the equilibrium point is the one point at which buyers and sellers on an average receive the value of what they contribute.

In a monopoly market situation, however conditions change as compared to perfectly competitive market conditions particularly with respect to the number of buyers and sellers and also the entry is not so easy. Unregulated monopoly markets fall short of the values of capitalist justice and economic efficiency. The high prices the seller forces on a buyer in a monopoly situation are unjust and these unjustly high prices are the source of the sellers, excess profits. The high profits in a monopoly market indicate a shortage of goods. Other firms are blocked entering the market, their resources cannot be used to make up the shortages indicated by the high profits. Thus monopoly market results in a decline in the efficiency with which it allocates and distributes goods.

Oligopoly markets which are dominated by a few large firms are said to be highly concentrated i.e. there are relatively small number of firms. It is relatively easy for the managers of these firms to join forces and act as a unit. By explicitly or implicitly agreeing to set their prices at the same levels and to restrict their output accordingly, the oligopolist can function like a single giant firm. This uniting of force together can create barriers to entry and result in the same high prices and low supply levels that are characteristics of a monopoly markets. As a consequence oligopoly market, like monopolies can generate a decline in social utility and can fail to respect basic economic freedom.

**Activity 2**

- 1) Write a brief note on ethics in relation to different stakeholders like customers, employees, etc.

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- 2) No business can exist without ethics. Briefly express your viewpoints.

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**15.6 BUSINESS ETHICS AND EXTERNAL ENVIRONMENT**

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The process of producing goods forces businesses to engage in exchanges and interactions with two main external environments – the natural environment and a consumer environment. Here you will understand the ethical issues raised by these exchanges and interactions. The two basic problems related to the natural environment are – pollution and resource depleting. Several consumer issues, including product quality and advertising are the probables related to consumer environment.

**The External Environment**

For centuries, business institutions were able to ignore their impact on the natural environment, an indulgence created by a number of causes. First business was able to treat air and water as free goods. However in today’s context unless business recognize the interrelationships and interdependencies of the ecological systems within which they operate and unless they ensure that their activities will not seriously injure these systems we can not hope to deal with the problem of pollution.

Environmental issues raise large and complicated ethical and technological questions for our business society. What is the extent of the environmental damage produced by present and projected industrial technology? How large a threat does this damage pose to our welfare? What values we must give up to halt or slow such damage? Whose rights are violated by pollution and who should be responsible of paying for the costs of polluting the environment? How long will our natural resources last ? What obligations do firms have to future generations to preserve the environment and conserve our resources?

Economists often distinguish between what it costs a manufacturer to make a product and what the manufacturer of that product costs as a whole when a firm pollutes its environment in any way, the firm’s private costs are always less than the total social costs involved. This is a problem because when the private costs diverge from the social costs involved in its manufacture, markets no longer price commodities

accurately. Consequently they no longer allocate resources efficiently. As a result the welfare of society declines. The remedy for the external costs is to ensure that the costs of pollution are internalized – that is they are absorbed by the producer and take into account when determining the price of goods. In this way goods will be accurately priced, market forces will provide the incentives that will encourage producers to minimize external costs and some consumers will no longer end up paying more than others for the same commodities.

### **Ethics of Consumer Production and Marketing**

People are exposed daily to astonishingly high levels of risk from the use of consumer products. Each year people suffer serious accidental injuries and few others are killed due to accidents involving consumer products. Examples are often reported of injuries requiring hospital treatment inflicted on youngsters and adults using toys, nursery equipment and playground equipment, people using home, workshop equipment, people requiring treatment for injuries involving home construction materials.

Now the dilemma which arises is where does the consumer's duty to protect his or her own interests end and where does the manufacturer's duty to protect consumers' interest begin? Three different theories on the ethical duties of manufacturers have been developed, each one of which strikes a different balance between the consumer's duty to himself or herself and the manufacturer's duty to the consumer – the contract view, the 'due care' view, and the social cost view. The contract view would place the greater responsibility on the consumer, whereas the due care and social costs views place the larger measure of responsibility on the manufacturer.

Consumers are also bombarded daily by an endless series of advertisements urging them to buy certain products. Although sometimes defended as sources of information, advertisements are also criticized on the grounds that they rarely impart additional information and only give the barest indications of the basic function a product is meant to serve and sometimes misrepresent and exaggerate its virtues. Economists argue that advertising expenditure is a waste of resources while sociologists bemoan the cultural effects of advertising.

The advertising business is a massive business. The question however is who pays for these advertising expenditures? In the end, the prices consumers pay for the goods they buy must cover advertising costs—the consumer pays. What does the consumer get for his or her advertising rupee? According to most consumers, they get very little. However, the advertising industry sees things differently. Advertising, they claim is before all else communication. Its basic function is to provide consumers with information about the products available to them – a beneficial service. The question to be discussed therefore is whether advertising is a waste or a benefit? Does it harm consumers or help them?

Discussion of the ethical aspects of advertising can be organized around the various features like its social effects, its creation of consumer desires and its effects on consumer beliefs. Studies have shown that advertising frequently fails to stimulate consumption of a product and consumption in many industries has increased despite minimal advertising expenditures. Thus advertising appears to be effective for individual companies not because it expands consumption but only because it shifts consumption away from one product to another. If this is true then economists are correct when they claim that beyond the level needed to impart information, advertising becomes a waste of resources because it does nothing more than shift demand from one firm to another.

The moral issues raised by advertising are complex and involve several still unresolved problems. However there are few factors like its social effects, its effect on



desire, effects on belief that should be taken into consideration when determining the ethical nature of a given advertisement. Advances in computer processing power, database software and communication technologies have given us the power to collect, manipulate and disseminate personal information about consumers on a scale unprecedented in the history of the human race. This new power over the collection, manipulation and dissemination of personal information has enabled mass invasions in the privacy of consumers and has created the potential for significant harms arising from mistaken or false information.

The purpose of rights is to enable the individual to pursue his or her significant interests and to protect these interests from the intrusion of other individuals. It is also important because it has several enabling functions. Privacy enables certain professional relationships to exist. In so far as the relationships between doctor and patient, lawyer and client, and psychiatrist and patient all require trust and confidentiality, they could not exist without privacy. It is clear then that our interest in privacy is important enough to recognize it as a right that all people have, including consumers. However this right must be balanced against the rights and legitimate needs of others. For example, consumers benefit from having life insurance available to them. However there are significant consumer benefits that businesses can provide but they can provide only if there exists agencies that can collect information about individuals and make that information available to businesses. Thus consumers' rights to privacy have to be balanced with these legitimate needs of businesses.

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## **15.7 BUSINESS ETHICS AND INTERNAL ENVIRONMENT**

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### **The Internal Environment**

The process of producing goods forces businesses not only to engage in external exchanges, but also to coordinate the activities of the various internal constituencies that must be brought together and organized into the processes of production. Employees must be hired and organized, stockholders and creditors must be solicited and managerial talent must be tapped. Inevitably conflicts arise within and between these internal constituencies as they interact with each other and as they seek to distribute benefits among themselves. The ethical issues raised by these internal conflicts fall into two broad areas of job discrimination and the issue of conflicts between the individual and the organization. Although many more women and minorities are entering formerly male-dominated jobs, they still face problems that they would characterize as forms of discrimination. Experiences suggest that sexual discrimination and racial discrimination are alive and they do create flutters in the society.

Regardless of the problems inherent in some of the arguments against discrimination, it is clear that there are strong reasons for holding that discrimination is wrong. It is consequently understandable that the law has gradually been changed to conform to these moral requirements and that there has been a growing recognition of the various ways in which discrimination in employment occurs. Among the practices now widely recognized as discriminatory, few of them are recruitment practices, screening practices, promotion practices and conditions of employment. Women as noted earlier are victims of a particularly troublesome kind of discrimination that is both overt and coercive. They are subject to sexual harassment.

Many businesses are aware of these trends and have undertaken programmes now to respond to the special needs of women and minorities. However it should be clear in view of the future demographic trends that enlightened self interest should also prompt business to give women and minorities a special hand. It is for these reasons that companies have instituted aggressive affirmative programmes aimed at integrating large groups of minorities into their firms where they are provided with

education, job training, skills, counseling and other assistance designed to enable them to assimilate into workforce.

The employee's main moral duty is to work toward the goals of the firm and avoid any activities that might harm those goals. To be unethical, basically is to deviate from these goals to serve one's own interest in ways that if illegal are counted as form of 'white collar crime'. There are several ways in which the employee might fail to live up to the duty to pursue the goals of the firm. The employee might act on a "conflict of interest", the employee might steal from the firm or the employee might use his or her position as a leverage to force illicit benefits out of others through extortion or commercial bribery.

The ethical issue of misusing proprietary information has become much more prominent in the last decade as new 'information technologies' have increasingly turned information into a valuable asset to which employees have regular access. As information technologies continue to develop, this issue will continue to grow in importance. Insider trading is also unethical – not merely because it is illegal but because it is claimed, the person who trades or insider information in effect 'steals' this information and thereby gains an unjust or unfair advantage over the member of the general public.

In the course of performing a job an employee may discover that a corporation is doing something that he or she believes is injurious to society. Indeed individuals inside a corporation are usually the first to learn that the corporation is marketing unsafe products, polluting the environment, suppressing health information or violating the law. Employees with a sense of moral responsibility who find their company is injuring society in some way will normally feel an obligation to get the company to stop its harmful activities and consequently will often bring the matter to the attention of their superiors. Unfortunately if the internal management of the company refuses to do anything about the matter, the employee today has few other legal options available. In the absence of legal protections of the employee's right to freedom of conscience the practice of whistle blowing is discussed and debated.

Whistle blowing is an attempt by a member or former member of an organization to disclose wrongdoing in or by the organization. It can be internal or external. If the wrongdoing is reported only to those higher in the organization it is internal whistle blowing. When the wrongdoing is reported to external individuals or bodies such as government agencies, newspapers or public interest groups, the whistle blowing is said to be external.

However it is for the ethical judgment to decide whether external whistle blowing is wrong because employees have a contractual duty to be loyal to their employer and to keep all aspects of the business confidential. When an employee accepts a job, the argument goes, the employee implicitly agrees to keep all aspects of the business confidential and to single-mindedly pursue the best interests of the employer. The whistleblower violates this agreement and thereby violates the rights of his or her employer.

The last point to be mentioned here is the ethics of political tactics in organizations. Political behaviour in an organization can easily become abusive. Political tactics can be used to advance private interests at the expense of organizational and group interests, they can be manipulative and deceptive and they can seriously injure those who have little or no political power or expertise. However political tactics can also put at the service of organizational and social goals, they may sometimes be necessary to protect the powerless and they are sometimes the only defense a person has against the manipulative and deceptive tactics of others. The dilemma for the individual in an organization is knowing where the line lies that separates morally legitimate and necessary political tactics from those that are unethical.

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## 15.8 ETHICS AND BUSINESS : OBJECTIONS

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People taking objections to bringing ethics into business argue that persons involved in business should single mindedly pursue the financial interests of their firm and not side track their energies or their firm’s resources into doing good works.

Some argue that in perfectly competitive free markets the pursuit of profit will by itself ensure that the members of society are served in the most socially beneficial ways. However what experts like Manuel G Velasquez argue is that often assumptions behind this argument like perfectly competitive market situation do not exist.

Another argument is that business managers should single-mindedly pursue the interests of their firms and should ignore ethical considerations.

This argument finds its basis in ‘loyal agent’s argument’, which suggests that a manager engaged in certain illegal or unethical conduct be excused because he did it not for himself but to protect the interests of his company. However again the assumptions behind this argument can be questioned on several grounds.

The third kind of objection is that to be ethical it is enough for business people merely to obey the law. Business ethics is essentially obeying law. It is wrong however to see law and ethics as identical. It is true that some laws require behaviour that is same as the behaviour required by our moral standards. However law and morality do not always coincide. Some laws have nothing to do with morality because they do not involve serious matters. These include dress codes, parking laws and other laws covering similar matters.

Beyond these arguments for and against the role of ethics in business, discussions happen whether ethical companies are more profitable than unethical ones. There are many different ways of defining ethical, many different ways of measuring profits and the findings of different studies remain inconclusive. However studies do suggest that by and large ethics do not detract from profit and seems to contribute to profits.

### Activity 3

- 1) Discuss any one example from Indian Companies where the case of whistle blowing was noticed.

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- 2) Briefly discuss a case of any advertising campaign of a product which according to you had a potential of creating an adverse effect on human desire. How?

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- 3) Using a case of monopoly firm which may have a contract for testing industrial pollution norms, list the ethical issues which may arise.

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## 15.9 SUMMARY

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Business ethics is applied ethics. It is the application of our understanding of what is good and right to those assortments of institutions, technologies, transactions, activities and pursuits that we call business. Corporate issues in business ethics are ethical questions raised about a particular company. These include questions about the morality of the activities, policies, practices or organizational structure of an individual company taken as a whole. Free markets are justified from ethical point of view because they allocate resources and distribute commodities in ways that are just, that maximize the economic utility of society's members and that respect the freedom of choice of both buyers and sellers.

The duty to the customer arises out of expectations that attend the purchase of a good or services. The questions which are discussed often are, should a seller voluntarily inform consumers that its products contain ingredients that though officially approved for use are suspected of having potentially harmful effect? The dilemma which arises is where does the consumer's duty to protect his or her own interests end and where does the manufacturer's duty to protect consumers' interest begin?

The process of producing goods forces businesses not only to engage in external exchanges, but also to coordinate the activities of the various internal constituencies that must be brought together and organized into the processes of production. On the other hand, the employee's main moral duty is to work toward the goals of the firm and avoid any activities that might harm those goals. To be unethical, basically is understood as to deviate from these goals to serve one's own interest in ways that if illegal are counted as form of 'white collar crime'. Nevertheless with the emergence of concepts like whistle blowing employees with a sense of moral responsibility who find their company is injuring society in some way find an opportunity in stopping the company from its harmful activities.

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## 15.10 SELF ASSESSMENT QUESTIONS

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- 1) What is Ethics and what do you understand by morality?
- 2) What do you understand by business ethics and how is it important for the business?
- 3) Explain the nature of ethics in context of different stakeholders.
- 4) Explain the ethical dilemmas in the changing business paradigm?
- 5) What is ethics of consumer production and marketing?

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## 15.12 FURTHER READINGS

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