



Unit-1

Business Ethics: An Overview

Structure

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1.0 LEARNING OBJECTIVES

- After going through this Unit, you will be able to:
- Understand what is business ethics
- Appreciate the global nature of business ethics
- Be aware of the prevalence of unethical behavior around the world
- Appreciate the benefits of ethical companies
- Understand the types of business ethics issues

1.1 INTRODUCTION

The term ethics is derived from the Greek word ‘**ethos**’, which means character. Ethics is a branch of social sciences, which deals with concepts such as right and wrong, good and bad, fair and unfair, just and unjust, legal and illegal, moral and immoral, proper and improper in respect of human actions.

Ethics is a subject of social science that is related with moral principles and social values. 'Business Ethics' can be termed as a study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities. Law often guides business ethics, while other times business ethics provide a basic framework that [businesses](#) may choose to follow to gain public acceptance.

Businesses must abide by some basic principles. It should provide quality goods and services at reasonable prices to their consumers. It must also avoid adulteration, misleading advertisements, and other unfair malpractices.



A business must also perform other duties such as distributing fair wages, providing good working conditions, not exploiting the workers, encouraging competition, etc. Business ethics ensure that a certain required level of trust exists between consumers and various forms of market participants with businesses. For example, a portfolio manager must give the same consideration to the portfolios of family members and small individual investors. Such practices ensure that the public receives fair treatment.

Business Ethics – Definition

There are many definitions of business ethics, but the ones given by Andrew Crane, Raymond C. Baumhart and Thomas M. Garrett are considered the most appropriate ones.

According to Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

Baumhart defines, "The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly."

Garrett defines "Business Ethics is primarily concerned with the relationship of business goals and techniques to specific human needs".



The concept of business ethics arose in the 1960s as companies became more aware of a rising consumer-based society that showed concerns regarding the environment, social causes and corporate responsibility. Business ethics goes beyond just a moral code of right and wrong; it attempts to reconcile what companies must do legally versus maintaining a competitive advantage over other businesses. Firms display business ethics in several ways. Ethics are broadly described in the literature as moral principles about right and wrong, honourable behaviour reflecting values, or standards of conduct. Honesty, openness, responsiveness, accountability, due diligence, and fairness are core ethical principles. Ethics are moral guidelines which govern good behaviour. So behaving ethically is doing what is morally right. Behaving ethically in business is widely regarded as good business practice.

Ethical principles and standards in business:

- Define acceptable conduct in business
- Should underpin how management make decisions

An important distinction to remember is that behaving ethically is not quite the same thing as behaving lawfully:

- Ethics are about what is right and what is wrong
- Law is about what is lawful and what is unlawful

An ethical decision is one that is both legal and meets the shared ethical standards of the community

Businesses face ethical issues and decisions almost every day – in some industries the issues are very significant. For example:

- Should businesses profit from problem gambling?
- Is ethical shopping a luxury we can't afford?
- Should fashion retailers use suppliers who don't pay a living wage?
- Should supermarkets dispose of out-of-date groceries or give them to food banks?

You will probably note the link between business ethics and corporate social responsibility (CSR). The two concepts are closely linked:

- A socially responsible firm should be an ethical firm
- An ethical firm should be socially responsible

However, there is also a distinction between the two:

- CSR is about responsibility to all stakeholders and not just shareholders
- Ethics is about morally correct behaviour

How do businesses ensure that its directors, managers and employees act ethically?

A common approach is to implement a code of practice. Ethical codes are increasingly popular – particularly with larger businesses and cover areas such as:

- Corporate social responsibility
- Dealings with customers and supply chain
- Environmental policy and actions
- Rules for personal and corporate integrity

Ethics are the building block of our society and thus should be the building block of our corporations. Henry Kravis states, “If you build that foundation, moral and the ethical foundation, as well as the business foundation...then the building won't crumble.”

1.2 FEATURES AND PRINCIPLES OF BUSINESS ETHICS

To understand business ethics, it is necessary to know its important characteristics. These are:

(i) A Discipline: Business ethics are the guiding principles of business function. It is the knowledge through which human behavior is learnt in a business situation.

(ii) Ancient Concept: Business ethics is an ancient concept. It has its origin with the development of human civilization.





(iii) Personal Dignity: The principles of ethics develop the personal dignity. Many of the problems of ethics arise due to not giving dignity to individual. All the business decisions should be aimed by giving dignity to the customers, employees, distributors, shareholders and creditors, etc. otherwise they develop in immorality in the business conducts.

(iv) Related to Human Aspect: Business ethics studies those activities, decisions and behaviours which are concerned with human aspect. It is the function of the business ethics to notify those decisions to customers, owners of business, government, society, competitors and others on good or bad, proper or improper conduct of business.

(v) Study of Goals and Means: Business ethics is the study of goals and means for the rational selection of sacred objects and their fulfillment. It accepts the principles of “Pure goals inspire for pure means” and “Means justifies the end”. It is essential that goals and means should be based on morals.

(vi) Different from Social Responsibility: Social responsibility mainly relates to the policies and functions of an enterprise, whereas business ethics to the conduct and behaviour of businessmen. But it is a fact that social responsibility of business and its policies is influenced by the business ethics.

(vii) Greater than Law: Although the law approves various social decisions, the law is not greater than ethics. Law is usually related to the minimum control of social customs whereas ethics gives importance to individual and social welfare actions.

Features of Business Ethics

There are eight major features of business ethics –

- **Code of Conduct** – Business ethics is actually a form of codes of conduct. It lets us know what to do and what not to do. Businesses must follow this code of conduct.
- **Based on Moral and Social Values** – Business ethics is a subject that is based on moral and social values. It offers some moral and social principles (rules) for conducting a business.



- **Protection to Social Groups** – Business ethics protect various social groups including consumers, employees, small businesspersons, government, shareholders, creditors, etc.
- **Offers a Basic Framework** – Business ethics is the basic framework for doing business properly. It constructs the social, cultural, legal, economic, and other limits in which a business must operate.
- **Voluntary** – Business ethics is meant to be voluntary. It should be self-practiced and must not be enforced by law.
- **Requires Education & Guidance** – Businessmen should get proper education and guidance about business ethics. Trade Associations and Chambers of Commerce should be active enough in this matter.
- **Relative Term** – Business ethics is a relative term. It changes from one business to another and from one country to another.
- **New Concept** – Business ethics is a relatively newer concept. Developed countries have more exposure to business ethics, while poor and developing countries are relatively backward in applying the principles of business ethics.

Principles of Business Ethics

The principles of business ethics are related to social groups that comprise of consumers, employees, investors, and the local community. The important rules or principles of business ethics are as follows –

- **Avoid Exploitation of Consumers** – Do not cheat and exploit consumer with measures such as artificial price rise and adulteration.
- **Avoid Profiteering** – Unscrupulous business activities such as hoarding, black-marketing, selling banned or harmful goods to earn exorbitant profits must be avoided.
- **Encourage Healthy Competition** – A healthy competitive atmosphere that offers certain benefits to the consumers must be encouraged.
- **Ensure Accuracy** – Accuracy in weighing, packaging and quality of supplying goods to the consumers has to be followed.
- **Pay Taxes Regularly** – Taxes and other duties to the government must be honestly and regularly paid.



- **Get the Accounts Audited** – Proper business records, accounts must be managed. All authorized persons and authorities should have access to these details.
- **Fair Treatment to Employees** – Fair wages or salaries, facilities and incentives must be provided to the employees.
- **Keep the Investors Informed** – The shareholders and investors must know about the financial and other important decisions of the company.
- **Avoid Injustice and Discrimination** – Avoid all types of injustice and partiality to employees. Discrimination based on gender, race, religion, language, nationality, etc. should be avoided.
- **No Bribe and Corruption** – Do not give expensive gifts, commissions and payoffs to people having influence.
- **Discourage Secret Agreement** – Making secret agreements with other business people to influence production, distribution, pricing etc. are unethical.
- **Service before Profit** – Accept the principle of "service first and profit next."
- **Practice Fair Business** – Businesses should be fair, humane, efficient and dynamic to offer certain benefits to consumers.
- **Avoid Monopoly** – No private monopolies and concentration of economic power should be practiced.
- **Fulfill Customers' Expectations** – Adjust your business activities as per the demands, needs and expectations of the customers.
- **Respect Consumers Rights** – Honor the basic rights of the consumers.
- **Accept Social Responsibilities** – Honor responsibilities towards the society.
- **Satisfy Consumers' Wants** – Satisfy the wants of the consumers as the main objective of the business is to satisfy the consumer's wants. All business operations must have this aim.
- **Service Motive** – Service and consumer's satisfaction should get more attention than profit-maximization.
- **Optimum Utilization of Resources** – Ensure optimum utilization of resources to remove poverty and to increase the standard of living of people.



- **Intentions of Business** – Use permitted legal and sacred means to do business. Avoid Illegal, unscrupulous and evil means.

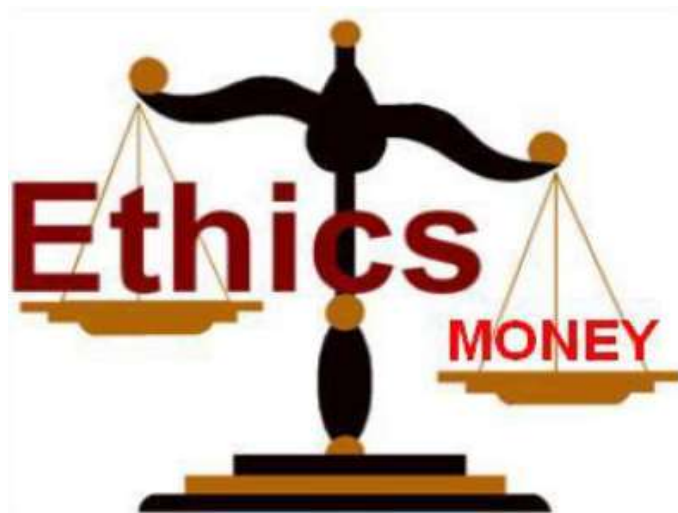
Follow **Woodrow Wilson's** rules – There are four important principles of business ethics. These four rules are as follows –

- **Rule of publicity** – According to this principle, the business must tell the people clearly, what it tends to do.
- **Rule of equivalent price** – The customer should get proper value for their money. Below standard, outdated and inferior goods should not be sold at high prices.
- **Rule of conscience in business** – The businesspersons must have conscience while doing business, i.e. a morale sense of judging what is right and what is wrong.
- **Rule of spirit of service** – The business must give importance to the service motive.

Example of Unethical Business Practices

Satyam Computers, a global IT company, was defamed in a notorious list of companies involved in fraudulent financial activities. The list includes names such as Enron, WorldCom, Parmalat, Ahold, Allied Irish, Bearings and Kidder Peabody.

Satyam's CEO, Ramalinga Raju, accepted his role in a broad accounting impropriety that had overstated the company's net revenue and profit. The company had earlier reported a cash reserve of approximately \$1.04 billion that actually existed only in books but not in reality.



In his letter to his board, exposing the fraud, Satyam's Raju showed the propensity of the fraud. He stated that, "What started as a marginal gap between actual operating profits and ones reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions. ..." Later, he described the process as "like riding a tiger, not knowing how to get off without being eaten."

12 Ethical Principles for Business Executives

Ethical values, translated into active language establishing standards or rules describing the kind of behaviour an ethical person should and should not engage in, are ethical principles. The following list of principles incorporates the characteristics and values that most people associate with ethical behaviour.

1. HONESTY. Ethical executives are honest and truthful in all their dealings and they do not deliberately mislead or deceive others by misrepresentations, overstatements, partial truths, selective omissions, or any other means.

2. INTEGRITY. Ethical executives demonstrate personal integrity and the courage of their convictions by doing what they think is right even when there is great pressure to do otherwise; they are principled, honorable and upright; they will fight for their beliefs. They will not sacrifice principle for expediency, be hypocritical, or unscrupulous.



3. PROMISE-KEEPING & TRUSTWORTHINESS. Ethical executives are worthy of trust. They are candid and forthcoming in supplying relevant information and correcting misapprehensions of fact, and they make every reasonable effort to fulfill the letter and spirit of their promises and commitments. They do not interpret agreements in an unreasonably technical or legalistic manner in order to rationalize non-compliance or create justifications for escaping their commitments.

4. LOYALTY. Ethical executives are worthy of trust, demonstrate fidelity and loyalty to persons and institutions by friendship in adversity, support and devotion to duty; they do not use or disclose information learned in confidence for personal advantage. They safeguard the ability to make independent professional judgments by scrupulously avoiding undue influences and conflicts of interest. They are loyal to their companies and colleagues and if they decide to accept other employment, they provide reasonable notice, respect the proprietary information of their former employer, and refuse to engage in any activities that take undue advantage of their previous positions.

5. FAIRNESS. Ethical executives are fair and just in all dealings; they do not exercise power arbitrarily, and do not use overreaching nor indecent means to gain or maintain any advantage nor take undue advantage of another's mistakes or difficulties. Fair persons manifest a commitment to justice, the equal treatment of individuals, tolerance for and acceptance of diversity, they are open-minded; they are willing to admit they are wrong and, where appropriate, change their positions and beliefs.

6. CONCERN FOR OTHERS. Ethical executives are caring, compassionate, benevolent and kind; they like the Golden Rule, help those in needs, and seek to accomplish their business objectives in a manner that causes the least harm and the greatest positive good.

7. RESPECT FOR OTHERS. Ethical executives demonstrate respect for the human dignity, autonomy, privacy, rights, and interests of all those who have a stake in their decisions; they are courteous and treat all people with equal respect and dignity regardless of sex, race or national origin.



8. LAW ABIDING. Ethical executives abide by laws, rules and regulations relating to their business activities.

9. COMMITMENT TO EXCELLENCE. Ethical executives pursue excellence in performing their duties, are well informed and prepared, and constantly endeavor to increase their proficiency in all areas of responsibility.

10. LEADERSHIP. Ethical executives are conscious of the responsibilities and opportunities of their position of leadership and seek to be positive ethical role models by their own conduct and by helping to create an environment in which principled reasoning and ethical decision making are highly prized.

11. REPUTATION AND MORALE. Ethical executives seek to protect and build the company's good reputation and the morale of its employees by engaging in no conduct that might undermine respect and by taking whatever actions are necessary to correct or prevent inappropriate conduct of others.

12. ACCOUNTABILITY. Ethical executives acknowledge and accept personal accountability for the ethical quality of their decisions and omissions to themselves, their colleagues, their companies, and their communities.

1.3 IMPORTANCE OF ETHICS IN BUSINESS

Several factors play a role in the success of a company that is beyond the scope of financial statements alone. Organizational culture, management philosophy and ethics in business each have an impact on how well a business performs in the long term. No matter the size, industry or level of profitability of an organization, business ethics are one of the most important aspects of long-term success.

Ethics in Leadership: - The management team sets the tone for how the entire company runs on a day-to-day basis. When the prevailing management philosophy is based on ethical practices and behaviour, leaders within an organization can direct employees by example and guide them in making decisions that are not only beneficial to them as individuals, but also to the organization as a whole. Building on a foundation of ethical behaviour helps create long lasting positive effects for a company, including the ability to attract



and retain highly talented individuals and building and maintaining a positive reputation within the community. Running a business in an ethical manner from the top down builds a stronger bond between individuals on the management team, further creating stability within the company.

Employee Ethics: - When management is leading an organization in an ethical manner, employees follow in those footsteps. Employees make better decisions in less time with business ethics as a guiding principle; this increases productivity and overall employee morale. When employees complete work in a way that is based on honesty and integrity, the whole organization benefits. Employees who work for a corporation that demands a high standard of business ethics in all facets of operations are more likely to perform their job duties at a higher level and are also more inclined to stay loyal to that organization.

Business Ethics Benefits: - The importance of business ethics reaches far beyond employee loyalty and morale or the strength of a management team bond. As with all business initiatives, the ethical operation of a company is directly related to profitability in both the short and long term. The reputation of a business from the surrounding community, other businesses and individual investors is paramount in determining whether a company is a worthwhile investment. If a company's reputation is less than perfect based on the perception that it does not operate ethically, investors are less inclined to buy stock or otherwise support its operations.

With consistent ethical behavior comes increasingly positive public image, and there are few other considerations as important to potential investors and current shareholders. To retain a positive image, businesses must be committed to operating on an ethical foundation as it relates to treatment of employees, respect to the surrounding environment and fair market practices in terms of price and consumer treatment.

Ethics concern an individual's moral judgements about right and wrong. Decisions taken within an organization may be made by individuals or groups, but whoever makes them will be influenced by the culture of the company. The decision to behave ethically is a moral one; employees must decide what they think is the right course of action. This may involve rejecting the route that would lead to the biggest short-term profit.

Ethical behaviour and corporate social responsibility can bring significant benefits to a business. For example, they may:



- attract customers to the firm's products, thereby boosting sales and profits
- make employees want to stay with the business, reduce labour turnover and therefore increase productivity
- attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
- attract investors and keep the company's share price high, thereby protecting the business from takeover.

Unethical behaviour or a lack of corporate social responsibility, by comparison, may damage a firm's reputation and make it less appealing to stakeholders. Profits could fall as a result.

Factors highlighting the importance of business ethics

We can cite four major factors which highlight the importance of business ethics:

1. **Long-term growth:** sustainability comes from an ethical long-term vision which takes into account all stakeholders. Smaller but sustainable profits long-term must be better than higher but riskier short-lived profits.
2. **Cost and risk reduction:** companies which recognize the importance of business ethics will need to spend less protecting themselves from internal and external behavioural risks, especially when supported by sound governance systems and independent research
3. **Anti-capitalist sentiment:** the financial crisis marked another blow for the credibility of capitalism, with resentment towards bank bailouts at the cost of fundamental rights such as education and healthcare.
4. **Limited resources:** the planet has finite resources but a growing population; without ethics, those resources are replete for purely individual gain at huge cost both to current and future generations.



1. Long-term growth

Large profits are always attractive, potentially allowing faster achievement of strategic goals, a greater provision against risk and a greater sense of success and stability. However, there are countless examples in corporate history of dramatic boom and bust cycles (both on a micro, corporation level and macro-economic level). Now, more than ever, we need to re-evaluate our endless search for bigger and bigger profits with the bigger and bigger risks that entails. The financial crisis which began in 2008 is painful evidence of that. Whole countries have gone to the brink of bankruptcy as a result of an unwillingness or inability to plan long-term.

More and more organizations are recognizing what most owner-run businesses have always known: that stable profits are a better bet in the long run than large profits now and an uncertain future. It is on the long term which we must focus to avoid the blindness which leads to such huge corporate collapses as Lehman Brothers (2008) and such huge risks and balance sheet holes as Morgan Stanley (as late as 2012). Even the largest remaining investment banks like Goldman Sachs are having to recognize this (if only to try and fend off more aggressive regulation) and attempting to make their bonus allocations more dependent on longer term value than the current year's performance. One can only hope that the heads of such organizations recognize the importance of business ethics and the resulting need to change to a more sustainable model of growth. Certainly the only way to change the huge, unwieldy vessel that is global business is to focus on the business benefits. While it may seem contradictory and hypocritical to place self-interest at the heart of change for the better, it is the only conclusion that seems to offer hope.

Fundamentally, the importance of business ethics is driven by personal ethics and morality and most people are fundamentally self-interested. But, if it is in people's best interest to be ethical, this has the potential to drive real change. It is already happening in several consumer markets where demand is shifting to ethical products and social networks are instrumental in spreading stories about unethical practices. (Sadly, very rarely is positive action rewarded with the same degree of enthusiasm but with some good - but earnest - marketing, it can be given a kick start and be highly successful long term.)

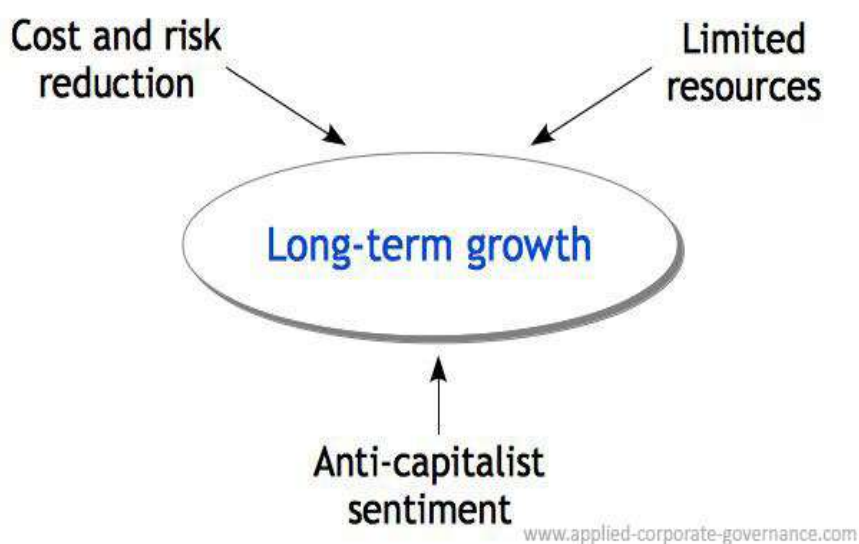


2. Cost and risk reduction

A precedent which argues the case made above is the Quality Management industry. In the West, this sprung up in the early 1980s, when products began to be inspected before leaving the factory in an attempt to reduce the amount of costly customer complaints. Now, most products come with at least a one-year warranty and in the case of some car manufacturers, up to five years. What started off as a self-interested need to reduce costs has led to more reliable products. Meanwhile, we offer another analogy from wider society. Just as widespread bribery and corruption in society are recognized as being inimical to the development of a healthy economy, similarly the lack of a high standard of ethical behaviour in a company is inimical to trust and loyalty, which in turn has a detrimental effect on the health of the company over the longer term.

It may be argued that an owner can run a business in whichever way he or she wishes, and at first glance there would appear to be a case for this so long as no other shareholders are involved, and only his or her money is at risk, and of course with the acquiescence of the employees and trading partners. However, in many years of observing different standards of behaviour in different business circumstances, one recognizes the relationship between the perception of ethics which permeates an organization and the degree of trust and loyalty present among employees and between staff and management. The conclusion one reaches is that loyalty and trust have a significant value in terms of the efficiency and effectiveness with which a business can be run, and the concomitant cost of control systems needed.

In other words, a highly ethical operation is likely to spend much less on protecting itself against fraud and will probably have to spend much less on industrial relations to maintain morale and common purpose. This should be motivation in itself to recognize the importance of business ethics and instill good corporate governance in any organization.



Importance of Business Ethics: Pressures on Long-Term Growth

3. Anti-capitalist sentiment

The eye-watering profits of some of the world's largest corporations attract a lot of negative sentiment from those outside the world of business and finance. While clearly a result of the scale of these organizations, there is always a suspicion that these profits have been achieved through not entirely ethical means - and in some cases downright unethical means, often resulting in major public failures, most recently in Japan, where the senior management of Nomura resigned en masse after an insider trading scandal.

Banks in particular receive a lot of bad publicity over profits and executive pay (especially bonuses), and while not always justified, the fact is, an industry at the centre of the credit crunch and resulting economic and financial crisis continued to produce hefty profits and bonuses even while making large numbers redundant. This is, of course, a huge generalization and simplification of the issue but it is the natural reaction of the general public, who lack such detailed information and understanding. Public sentiment cannot be ignored. This situation makes the importance of business ethics all the more pressing in the 21st century.

4. Limited resources

One irrefutable fact is that this planet has limited resources. Probably the biggest failure in human development over the last three hundred years has been in



recognizing that and attempting to minimize use and maximize re-use and recycling. While there are now global initiatives to try and reverse this trend, and much progress has been made, there is still a long way to go. In the major developing economies, especially, history is repeating itself on a massive scale. With notable exceptions, this applies not only to specific environmental and sustainability issues but to corporate governance generally and the importance of business ethics to the new high growth regions and corporations.

This is another example of short-termism prevailing over long-term vision and preservation of limited resources for future generations - and in some cases the same generation, as in deforestation driving native peoples and animal species to the point of extinction. Just as basic financial management requires planning to ensure capital reserves and so solvency, the same principles should clearly apply to the extraction and usage of natural resources. There are some notable exceptions, of course, with the likes of Sir Richard Branson (founder of the Virgin Empire) taking a keen interest in environmental affairs (as well as entrepreneurship). On a governmental level, the 2012 London Olympics are the "greenest" ever, with 40 per cent reduction in water usage (despite the record amount of parks and planting) and 98 per cent waste recycling.

The following points explain the need for and importance of Business Ethics:

- 1. Protection of Consumer Rights:** -Consumer is the centre of all the business activities. In fact, business is essentially meant for satisfaction of consumer wants. Unfortunately, consumers are the most neglected and exploited group. The application of business ethics will help to confer and implement consumer rights.
- 2. Social Responsibility:** -Business Ethics is a means of making business socially responsible for its actions. Exploitation of consumers, employees, discriminate use of natural resources, etc., is quite common in all type of business. Compliance to ethical standards will ensure (a) Protection of consumer rights (b) Public accountability (c) Protection of worker's interests, and (d) Proper utilisation of natural resources.
- 3. Concept of Socialism:** -The Concept of Socialism in business states that gains of a business must be shared by all and not just by the owner of business. Profit is a sign of business skill and talent. Profit is also a result of group efforts. Employees,

shareholders, consumers, suppliers, and others contribute to the success of the business. Therefore, success should be shared by all concerned.



4. **Interest of Industry:** - Business Ethics are necessary to safeguard the interests of the small scale business firms. The tendency of big business firms is always to dominate the market and drive away the small industries out of the market. Small scale units can establish their position and fight for their right if the industry follows a code of ethics.
5. **Consumer Movement:** -The growth in consumer movement is also another important factor that has necessitated the need for business ethics. The spread of education and awareness among consumers about their rights has made the business community to conduct business on ethical principles.
6. **Better Relations with the Society:** -Business Ethics is needed to develop good relations between business and society. The relationship of business with society has various dimensions such as its relations with shareholders, employees, consumers, distributors, competitors and government.
7. **Buyer's Market:** - There has been a structural change in the concept of business. The concept of profit has been gradually taken over by consumer satisfaction. The large scale production and increased competitions in the market changed the business scene from a seller's market to a buyer's market.
8. **Beneficial to Business and Society:** - Ethics suggests what is good and bad, right and wrong, ethical and unethical, etc. to businessman. It also brings an element of honesty, sincerity, fairness, and human touch to business activities.

Every responsible business understands and values the need of business ethics. Company is a legal person; therefore it needs to work in a socially responsible manner. Therefore, every responsible and quality business believes in following business ethics.

The concept of business ethics entails the principles and values that govern the behaviour of a businessperson in the work surroundings, regardless of the fact whether the person is an employee of the business, or the owner itself.



When employees or leadership of the business is able to distinguish between the wrong or right ways of conducting the business, then the business is said to be run on ethical grounds, and is considered a follower of business ethics.

The business ethics play a crucial role in developing the culture of an organization. If the leader of the organization exhibits ethical behavior, and rewards the employees who conduct their business work in an ethical manner, then the organization will start to build ethical grounds on which they conduct business, ultimately resulting in an ethical culture of the business.

A company that believes in business management in an ethical manner, base their decisions not on the motive of earning or making money, rather every decision such company takes, is taken by keeping in mind the benefits of the stakeholders. These way stake holders feel a part of company and the business develops a socially acceptable repute.

Besides the apparent benefits of business ethics in the form of a well developed culture, more dignified corporate values, and a satisfied customer, business ethics expands way farther. A company that believes in proper conduction and following of business ethics survives on a long run. A company that does not follow any such business ethics, and believes on solely earning money can earn money for a short time. However, when it comes to long term benefits, a business should properly believe in business ethics, with ethics a business can develop a relationship with customers, the customers become loyal, and the employees work in the most motivated manner to facilitate the customers.

In short, the above lines give a brief insight into the concept of business ethics. It should be implemented and observed by the management, followed by the employees, and with proper consideration of the customers, a business can achieve long term success with business ethics. The more inclined a business is towards ethics, the more trust of the customer, and more longevity of the business.



Many companies organize their employees into functional areas. Departments in a business organization are structured according to certain functions. The departments of various organizations will differ depending on the type of business.

Read on to learn what a functional area is, why a company might organize into functional areas, and descriptions of some common functional groupings.

What are Functional Areas?

Functional areas are teams of employees who have similar skills and expertise. For example, a company's sales department is a common functional area, and the staff in this area would all be focused on selling the company's products.

Why would a Company organize by Functional Area?

Companies organize by functional areas for many reasons. First, it's more efficient to have staff with similar skills grouped together. They can easily team up on projects requiring their expertise and will have backup expertise if one staffer is unable to complete their work. For example, a company is going to set up a new server in their data center and they'll likely need several different staffers from the information technology department involved in the project. Since all work in the same functional area, it is possible for a single manager to assign them all to the project and to make sure the project is completed on time.

Organizing by functional area also allows a manager with similar skills and expertise to review the work done by the members of the function. To use the new server example from above, the IT manager who is in charge of the project will have significant knowledge of the skills being used on the project and can offer assistance and guidance when needed.

Finally, this organizational scheme makes training and knowledge sharing easier, since employees working on similar functions work together and can share their expertise.



What are Common Functional Groupings?

Organizations are built about a group of functions, each of which provides support for the operations of the business. Functional departments each serve a specific purpose with an organization to achieve its objectives. Information need is an individual or group's desire to locate and obtain information to satisfy a conscious or unconscious need. The information and need in information need are inseparable interconnection. Information needs are related to, but distinct from information requirements. An example is that a need is hunger, the requirement is food. In large organizations, each of the functional departments may be separate, whereas smaller organizations may have integrated departments. Different functional areas of an organization are:

HUMAN RESOURCE: Human resource is the most important asset in the business. The heart of an organization lies on its people. Without people, the day-to-day operation of a business would cease to function. The success of a business relies fully on the hands of the employees working in the company. In order to achieve the company's goals and objectives, the company's Human Resource Department is responsible in recruiting the right people with the required skills, qualifications and experience. They're responsible for determining the salary and wages of different job positions in the company. They're also involved in training employees for their development.

MARKETING/PROMOTION: Promotional activities and advertising are the best ways to communicate with your target customers for them to be able to know the company's products and services. Effective marketing and promotional activities will drive long-term success, profitability and growth in market shares. This department is responsible for promoting the business to generate sales and help the company grow. Its function involves creating various marketing strategy and planning promotional campaigns. They are also responsible for monitoring competitor's activities.

PRODUCTION: It's vital for business that the products are in good quality and free from defects. The production department is concerned with manufacturing the products, where inputs (raw materials) are converted into finished output through a series of production process. Their function is to ensure that the raw materials



are made into finished product effectively and efficiently and in good quality. This department should also maintain the optimum inventory level.

SALES: In every business, sales department plays the biggest role in any organization's success. The sales department is responsible for generating revenue. The sales department is tasked to ensure that the sale of products and services results to profit. The sales department coordinates with the marketing department in terms of brand-awareness, product-launching and more. From the time the product left the production department. Sales need to develop ways on how to sell the product to their target users/customers.

CUSTOMER SERVICE SUPPORT: The Customer Service department is responsible for interacting with customers regarding inquiries, complaints and orders. It also includes having a help desk/reception and contact centers. It is important for a business to maintain and create relationship with their customers. Customer service should be provided before, during and after the purchase. This department focuses on giving good service support, especially to potential, new and existing customers. Part of a business' customer relationship management is having an efficient customer service support. A good relationship with customers will create customer-loyalty.

ACCOUNTING AND FINANCE: Cash flow is the lifeblood of any business. It is important to manage the business' cash outflows and inflows. The company can't operate without money. If you can't handle your money properly, you will lose control of your business. That is where the accounting and finance department comes in, which is a part of the organization that manages the company's money. This department is responsible for accounting, auditing, planning, and organizing finances. They're also responsible in producing the company's financial statements.



DISTRIBUTION: No matter how good the product is, it's deemed useless if it won't reach customers. If goods are not suitable for the distribution channel, expenses involved in the distribution will be considered wasted. The distribution department is responsible for receiving orders and delivering orders to the customer at the right place, at the right time.

RESEARCH AND DEVELOPMENT: Innovation is the key to every business' future. Through innovation, it will open new competitive advantage for the company. Research and Development acts as the catalyst in the innovation process. They will be responsible for innovations in product, creating its new design and style. As well as for searching new ways of producing their products by being updated with regards to the latest technological and economical trends.

ADMINISTRATION AND MANAGEMENT: The administration and management is the backbone of the business. The administrative and management's function is to handle the business, planning, decision-making, and also financial review. This department links with other departments to ensure the smooth flow of information and operations.

OPERATIONS: The Operations department is held responsible for overseeing, designing and controlling the process of production and redesigning business operations if necessary. In a manufacturing company, operations department designs processes to produce the product efficiently. They also have to acquire materials and maintenance of equipment, supplies and more.

INFORMATION TECHNOLOGY SUPPORT: Computers and information systems are very essential in business nowadays. The IT department acts as the backbone of a smooth operation involving the latest technology relevant to the business. This department is responsible for creating software/s for other departments, providing direct operating assistance in software-use and data-management to maintain functional areas in the organization.

PURCHASE: Purchasing is a basic function of an enterprise especially in manufacturing companies. The purchasing department is responsible for the procurement of raw materials, machineries, equipment and supplies. This department ensures that the materials needed are in the right quantity, at the right price, made available in the right time, from the right supplier. It is also their task



to inform the top management of the changes of the price or material development that could affect the company's sales.

LEGAL: The legal department is tasked to oversee and identify legal issues in all departments. The department may also offer training and assistance with employee manuals to ensure that the company and its employees are kept up-to-date on workplace law and handles filing of legal documents on government agencies. They also handle customer complaints in a professional style and represent the company if sued. They act as the official & formal representative/s in behalf of the company or the founder.

1.5 ETHICAL ISSUES IN INTERNATIONAL BUSINESS

The ethical-related issues have been approached since ancient times and have represented the foundation of different religions and life styles. The ethics can be found in all aspects of human activity as the individuals have been preoccupied with the quality of their behaviour towards the people around. Even if they do not purposefully intend to improve their relations with the others, people always evaluate their behaviour from the point of view of their correctness.

Thus, we can consider that the ethics represents a mental process systematically developed to identify and evaluate the differences between the way it is and the way it could be the result of a human action or activity in order to improve the human behaviours in society.

The ethics has been an important part of the economic environment in the twentieth century. Within this period, different social groups have manifested in what regards both the public security against some political manipulations, and the consumer awareness, in general, regarding the necessity to take responsibilities by the organizations to find a fair solution for various ethical issues.

Nowadays, consumers and pressure groups appear to be increasingly demanding firms to seek out more ethical and ecologically sounder ways of doing business. The media also constantly seems to be keeping the spotlight on corporate abuses and malpractices. And even firms themselves appear to be increasingly recognizing that being ethical (or at the very least being seen to be ethical) may actually be good for business.



On the other hand, within this period, the business practice has also outlined the fact that all extra ordinary decisions are based both on the financial element as well as on the ethical one.

As a result of the conjugated action of these factors, the ethics has become an integrating part of the contemporary business environment.

Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed (Stanwick and Stanwick, 2009, p. 5). According to this definition, business ethics covers the whole spectrum of interactions between firms, individuals, society and the state. In other words, business ethics is as complex as business itself. It is not an optional accessory to business life or a mere enthusiasm of the philosophers and moralists; business ethics is how the people conduct their business affairs, from the basest fraud to the highest levels of excellence (Grace and Cohen, 2005, p. 1). Also, some specialists consider that business ethics begins where the law ends. Business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong. Discussion about the ethics of particular business practices may eventually lead to legislation once some kind of consensus is reached, but for most of the issues of interest to business ethics, the law typically does not currently provide us with guidance. (Stanwick and Stanwick, 2009, p. 7).

During the past few decades, the globalization process has progressively eroded the relevance of territorial bases for social, economic and political activities, processes and relations. As business became less fixed territorially, corporations increasingly engaged in overseas markets, suddenly finding themselves confronted with new and diverse, sometimes even contradicting ethical demands. Moral values, which were taken for granted in the home market, may get questioned as soon as corporations enter foreign markets. Thus, contemporary countries have a different stability level and development level of the institutions that govern them from a social, political and social level, through their fundamental cultural level and, thus, through their capacity to outline, approach and solve ethical issues. In many countries, this capacity is considerably diminished by poverty, poor education, a limited access to information, corruption and a non-functional political environment.



Although contemporary nations present important differences from an economic, cultural, political and social point of view, we may observe a great resemblance between the unethical behaviours manifested by the transnational corporations, but also by many companies with international activity, on the markets of these nations, frequently resorting to: corrupting various officials of the host states (in order to obtain governmental facilities), disrespect to the human rights, offering false information regarding the financial status of the company and fraudulent publicity (on the basis of spreading this information), using underage employees, informational piracy, industrial espionage, wasting natural resources, sexual discrimination, deliberate pollution, etc.

From a managerial perspective, the ethical problems manifested in the arena of international business represent real ethical dilemmas for the contemporary managers as they generate, at least on a short term, a conflict between the organizational economic performance (evaluated by measuring the turnover, the costs and the profits) and its social performance (evaluated by measuring the ethical responsibilities to the people outside or inside the organization) (Hosmer, 1987, p.3)

Competition in international business is such that ethics can appear to be a handicap, if not downright irrelevant. Many business people consider that business has only two choices: to behave unethically or fail, and they argue that the survival of the company should not be jeopardized in order to fulfil an ethical obligation when their competitors are not behaving ethically.

Generally, it is unconvincing, both in domestic and in international market, to dramatize the difficulties of matching competitors ethically by claiming that the competitors' tactics are designed to destroy all rivals. The survival of most businesses does not depend on one decision, and if the matter is very serious, then being unethical in order to save the company simply changes the nature of the risk.

Major sources of ethical issues in international business

Although the ethical issues identified in international affairs are extremely numerous and different, consider that most of them mainly originate in five fundamental sources of ethical dilemmas, synthetically presented in Table no. 1.



Thus, one of the most important ethical dilemmas that international managers must face is that of corruption, respectively the opportunity of paying a governmental clerk, providing this action leads to making some business, employing local labour force and, implicitly, increasing the organizational efficiency and the living standard in the respective community.

In most developed or underdeveloped countries, the bribe is a daily aspect, which led to the opinion that in such countries, the governmental payments are an indivisible side of a successful business. Many of the multinational companies that have applied such practices motivate that they are determined by their competitors who put them into practice and they do not want to stay behind.

More than that, the American transnational corporations (respectively most transnational

companies in contemporary economy), are guided in international operations after a series of regulations, among which FCPA– Foreign Corrupt Practices Act, adopted in 1977 in the United States of America. FCPA is a document that underlines the practices permitted and, respectively, interdicted to the American economic agents on the foreign markets, from the perspective of their ethical character. Among the interdicted practices stipulated in this document, there are (Fadiman, 1991, p. 30):

- ♣ Offering or paying some amounts of money to different political parties, candidates or foreign public clerks, holding influential positions, which they may use in order to support the organization to get or keep some business;
- ♣ Forms of indirect payment - companies are forbidden to pay if they know or suspect that any part of that sum will get to an illegal fund or for correlative activities.

On the other hand, FCPA stipulates that lubrication bribe, used to persuade the public clerks of inferior level to develop a normal activity and not to disadvantage the business with relevance with the competitors, it is permitted. Although the maximum limits of this type of payment are not specified, the American law imposes keeping some rigorous records regarding the payments made.



For example, the company Lockheed, constructing aircrafts, faced such a situation on the Japanese market. Lockheed paid 12 million dollars to the Japanese Prime Minister, to the president of the Japanese Airlines Association, as well as to other seven political persons in order to facilitate its business on the respective market.

When revealed, the company motivated that the payments made to the enumerated officials represents less than 3% of the profits obtained by selling the model L - 1011 and that, anyway, according to the federal laws, such payments are not interdicted (Baron, 1996, p. 664) , although, obviously, such practices are not by far ethical.

The managers of the transnational corporations that face with such financial demands from some governmental officials on the foreign markets where they act may solve these demands in an ethical manner, without having the risk to break the relations with the host state if they respect the following three general principles:

1. respecting the basic human rights;
2. respecting local traditions;
3. making the difference between good and bad by examining the context.

More precisely, the managers of the transnational corporations may respond to such demands in an ethical manner if they apply one of the following methods:

- donations in money in order to create or develop various public services (such as building hospitals or roads) for the host state, correspondingly promoted and managed, may increase the public appreciation to the organization and prevents the money disappearance in private pockets;
- donations in goods or services may be medical equipments for hospitals, computers for schools or aids for underprivileged persons and, if promoted correspondingly, may facilitate the future development of the business and they are absolutely ethical;
- donations in jobs refer to employing some persons in the host country in some projects meant to sustain the organizational activity, but also to increase their trust in it. For instance, Coca-Cola hired, in Egypt, six hundred persons to plant hundreds of acres with orange trees, recuperating

the respective land from the deserted zone, and obtained thus an increase of confidence from the Egyptian community, without violating the principles of business ethics.



Table 1. Major sources of ethical dilemmas in the international managers' activity

SOURCES OF ETHICAL DILEMMAS	FUNDAMENTAL ETHICAL ISSUE
Corruption	Is it ethical to make a payment to a governmental clerk providing it depends on succeeding in a business?
Industrial espionage	Is it ethical to use some information about the competitors' activity, obtained through methods that are at the edge of the law?
Relation with the environment	Is the organizational behaviour ethical, though it has the possibility to go over the environment standards imposed by the legislation, staying competitive, is satisfied to respect them?
Relation with the employees	Is it an ethical behaviour for the organization to apply different personnel policies regarding employment, promotion and remuneration of the employees on different markets where it acts?
Relation with the consumers	Is it ethical for the behaviour of an organization which does not completely inform its target consumers about the features of the offered product and which has big prices for the key products in order to maintain the consumers' health and life, even though the legislation in the host country allows it?



Industrial espionage is another unorthodox and absolutely illegal method which transnational corporations use in order to go ahead of their competitors. John Pepper, the general manager of Procter & Gamble faced such an ethical issue, and the manner in which he solved it may represent a real model for all contemporary organizations. Thus, a few years ago, Pepper was informed by his managers that the company employees responsible for the “competition analysis” (department which studied and predicted the movements of the main competitors) set a system that allowed them to spy the activity of their main competitor, respectively Unilever.

These employees contracted a company which, in its turn, had contracted other twelve smaller companies whose employees entered the property of Unilever pretending to be market analysts and they analyzed the garbage resulted from the productive process of the main production unit.

Thus, it seems that the so-called analysts obtained enough secret information about the products and the production processes of Unilever in order to make the company face some competitive issues. When he found about his employees’ initiative, John Pepper stopped the action, fired the responsible employees and turn the issue public, both inside his organization and outside it. Then he informed Unilever about the measures he adopted and accepted this company’s solicitation to supervise the activity of Procter & Gamble for one year by an impartial auditor to prevent using any of the information obtained illegally (Dessler, 2004, p. 26).

Another source of ethical issues that multinational companies have to face is their relation with the environment. Being aware of the devastating effects of the post-war “wild capitalism”, we face the conception according to which protecting the natural environment must be considered a major social task of humankind and, especially, of its representatives in the business world. Presently, the international organizations must respect not only the national legislation regarding environment protection, but also the one of the host countries and the international regulations that get tougher and tougher sanctions in case of disrespecting them. In spite of all this, there is a big temptation to break these rules, as the costs required to obey them often significantly diminish the companies’ profits and competitive capacity. Many times, famous names in the economic international business were involved



in pollution scandals, with lasting effects in the reputation and the image perceived by the consumers.

The relation with the employees is another important aspect upon which the managers of the multinational corporations must make ethical decisions, without compromises. The managers have the heavy task to create a climate of respect and mutual confidence, by respecting the rights of the executive personnel that are subordinated to them. The employees will really get involved into their tasks, for the success of the organization, only if they have a certain status at their workplace, liberty, intimacy, and a fair salary.

As poverty is often, in underdeveloped countries, a good reason to ignore the fundamental human rights and liberties, the organizations must not only respect the law but also respect the traditions of employment and personnel remuneration. This attitude will only worsen the situation of these people who are ready to work even for less than they need to survive.

As a consequence, the multinational companies must fulfil the minimum legal provisions with what they consider to be necessary to increase the respect of the employees in the host countries and to improve their living standard.

The relation with the consumers is almost a permanent source of ethical dilemmas for contemporary managers. Thus, starting with practicing some exaggerated prices up to spending huge amounts to promote their products, starting with practicing excessive value added taxes, using cheating practices of packaging, promoting and selling, starting with bringing into the market some products that do not correspond from the point of view of quality and security up to the planned moral usage, the cases of unethical behaviours of the organizations in their relation with the consumers face an impressing diversity. The worst situations are the ones in which the organizations violate not only the ethical business principles, but also the consumers' fundamental rights, which takes them in front of the law, in case of such practices.

Also, the organizations promote, numberless of times, a customer manipulation, if not illegal, at least unethical. Thus, suggesting that chewing gum replaces brushing the teeth is an example of unethical manipulation, as, in reality, false



mastication only spoils the teeth and sickening the stomach, and the artificial sweeteners lead to the appearance of some mouth microbial cultures.

The issue of the clients' unethical manipulation is based on the fact that a large part of the persons in the organization find what happens and think that they, their families and friends could be the clients unfairly treated by these companies.

Consequences of Unethical Behaviour in International Business

The categories of ethical issues and the examples presented above represent arguments on the basis of which we may say that, for international affairs, the ethical issues are numerous and, often, more difficult than the national ones (this was also because of the fact that the international managers dispose of less information regarding the political, economic, social and cultural context of the issues that must be decided upon). In the developed or underdeveloped countries, the situation is also complicated by the fact that there are no institutions checking the obedience of some ethical business rules.

For these reasons, many multinational companies are tempted to ignore or even severely violate the business ethical principles on the external markets approached. They operate, from the point of view of the business ethics, under the power of cultural relativism, adapting its ethical behavior to the cultural particularities and the local economic practices, succeeding in approaching and maintaining with success on the markets often dominated by suspicious practices. The risks of the organizations that apply such practices are significant. Thus, practice has demonstrated that the disadvantages and the costs the company must cover in case the unethical behaviours are revealed to the public are higher than the costs required avoiding them. Big companies all over the world had to support serious consequences when their suspicious practices have come into light.

Therefore, any unethical behaviour of the organization will represent a continuous source of expenses, in order to hide it from the partners interested in its activity. At the same time, any "secret" represents a weak point of the organization, which turns it vulnerable in front of the competitors. Obviously, the more unethical are the manifestations of the organization, the more vulnerable it gets to the competitors' attacks. Many times, regardless of the size of the efforts made for the organization to hide its unethical attitudes, they are revealed and divulged to the



large public (most often, by mass media or its competitors). Divulging these unethical behaviours will have a negative effect upon the reputation of the international organization, especially on the developed markets, where the legislation stipulates pretty tough sanctions. Also, losing the fame of the organization or the rumours regarding its dishonesty may determine the decrease of sales and the clients may choose different providers.

To sum up, the consequences of unethical business practices are:

- Violating the business ethical principles
- Wasting the company resources to hide the unethical behaviour
- Affecting the fame/reputation of the organization
- Losing various clients and business partners
- The company disappearance

On the markets of the less developed countries, on the other hand, in most cases of public disclosure of various unethical business practices and behaviours, the business people and the managers' community stays strange, passive and quiet in front of these incorrect manifestations. This "tranquility" sends the public a clear negative message, much more eloquent than any other declaration regarding the ethical standards and principles assumed in the activity of an organization, whatever that is.

On the other hand, we must take into account the fact that the big transnational corporations have their origins in developed countries, where business fair play is very important and, thus, the organizations have a lot to lose in case of disclosing some unethical behaviours as, beyond any legal sanctions, they will be abandoned by a series of clients and business partners.

The situation of Nike is well-known, as its image was pretty spoiled after the disclosure of some unfair actions of the corporation in 1997 in New York. The American public was simply scandalized finding out that Nike sport shoes for children, for which the American parents pay between 100 and 180 dollars are produced for only 5 dollars by Nike. The complete amazement was when some Pakistan and Indonesian kids were presented broidering the Nike logo on the company products for only 2 dollars per day.



Those who observed it for the very first time were the teenagers from a social centre in Bronx, who initiated a protesting action in front of the supermarket Nike-Town. Around 200 teenagers emptied in front of the security agents bags full of old Nike sport shoes. What amazed the Nike managers even more was the declaration made by a thirteen-year old girl who said on a national TV channel: “Nike, we made you, we will break you!”

After this event, the greed of the Nike managers became public and hit in the image of the corporation, which it has not been repaired so far. An organization, which tries to get rid of the accusations regarding the suspicious transactions, cannot be concentrated anymore upon the objectives and the purposes on a long term, does not pay the required attention to the competitors that go over it. Such an organization wastes its resources trying to decipher the situation in which it is and the reasons for which it got there, and this look to the past is the consequence of neglecting the ethics.

We must not neglect the fact that a large part of the unethical behaviours fight against the organization itself, sooner or later. For example, even if an organization succeeds in avoiding the fiscal institutions selling goods without an invoice, such a behaviour becomes a major risk for the entrepreneur, as the employees will understand that there is “the possibility” and, sooner or later, they will experiment their own stealing methods, confiscating the business (Pleter, 2005, p. 521). Such behaviours do not spare the organization from its interior force and the employees’ support, which do not trust it and its managers. The ethics may be considered from this point of view the interior force of any organization. No investor should initiate any business unless interested in ethics as, from the very beginning, this is meant to fail.

On a long term, the organization will face a lack of confidence both inside and outside, the negative image that it formed being able to generate important financial losses or even to disappear from the market. Unfortunately, an ethical behaviour does not necessarily provide a greater efficiency in the individual or organizational activity. Thus, an organizational policy refusing to make various payments to the governmental officials in the countries where this practice is self-understood may generate costly delays and even losing some businesses of the company in the respective countries. Also, an ethical behaviour from the



organizations may not be visible for the other participants at the market or the society activities, or, even if it is visible, may not be rewarded correspondingly. For instance, an increased availability of an organization regarding employing people with disabilities, although fair from an ethical point of view, it is often inefficient from an economic point of view.

Highly ethical behaviour and socially responsible acts are not always free. Investing in work/life programmes, granting social leaves of absence, and telling customers the absolute truth about potential product problems may not have an immediate return on investment. From an antagonistic perspective, respecting the business ethical principles may generate a series of important advantages for the contemporary organizations. Thus, first of all, promoting an ethical behaviour provides the company protection both against the competitors' unethical behaviour and the possible abuses from its own employees. More precisely, the employees' ethical behaviour in the relations with the economic and social environment where the company develops its activity protects the organization from any possible disloyal practices.

Another important aspect refers to the fact that a big part of the ethical dilemmas and issues may be known before the organizational plans are implemented and the anticipatory solution of all the ethical issues saves to time, money, effort and resources and, mostly, increases the organization's reputation (Sikula, 1996, p. 74). Besides, the organic integration for some ethical responsibilities in the organizational culture and, implicitly, in the employees' mentality, will create a positive image in the perception of the large public, that will regard it with confidence and will be tempted to support its actions. Recent evidence also suggests that high ethics and social responsibility are related to good financial performance.

A recent perspective on the relationship between profits and social responsibility is that it works two ways. More profitable firms can better afford to invest in ethics and social responsibility initiatives, and these initiatives in turn lead to more profits. No nation can survive and flourish without common moral and social values. Ethical problems and dilemmas abound in any economy, regardless its level of economic development. At international level, they get higher dimensions and generate superior effects. Nowadays, the power and influence of business in society is greater than ever before. Business has the potential to provide a major contribution to our societies, in terms of producing the products

and services that we want, providing employment, paying taxes, and acting as an engine for economic development.



In conclusion, although an ethical behaviour may not be profitable all the time, an unethical behaviour frequently generates substantial losses, especially on a long term. That is why it is important for the contemporary organizations to understand that, regardless the nature of some unethical consequences and the timing horizon to which they report, on a long term, they represent considerable costs. More than that, the consequences of such practices are not counted only to the limit of the sanctions received as fines, but also in the terms of worsening the international business environment, by creating an attitude a suspicious attitude from the society with respect to the motivations and the methods used by all the organizations that act in the respective field of activity (Baron, 1996, p. 572). Eventually, this attitude leads to intensifying the governmental actions developed in order to prevent and legally punish such actions. On a long term, it is more efficient to find a balance between the exigencies of the economic affairs and those of the society, as it is obvious that the businesses are no longer evaluated according to their profitability, but also according to the moral standards and ethical principles that govern them. Contemporary managers must be aware that it is absolutely necessary for the organization they manage to get a certain moral attitude in business, that they must regard above the legal side and apply the standards based on personal integrity, moral conscience of the organization and the consumers' long-term welfare. Besides, it is obvious that no matter how tough are the governmental constraints and the international sanctions regarding the unethical behaviours, the only solution to shape an ethical business environment is to create an ethical culture for more and more investors, managers and, of course, consumers.

1.6 LET'S SUM UP

Ethics is one of the oldest disciplines, the object of study of which is morality. The term *ethics* was introduced by Aristotle, who thoughtfully remarked that ethics "helps to know what to do and what should be avoided". Modern ethics is first and foremost, the science that allows to consider human relationships, as well as to evaluate the behaviour of people in terms of generally accepted norms. There are professional ethics, which includes a system of moral norms of human behavior, belonging to a particular social group. An entrepreneur should not only know the ethical behaviour standards, but also to follow them.

There are so-called professional ethics, and in particular - business ethics, which includes standards of entrepreneur behaviour. Entrepreneurial activity is impossible without the numerous contacts with people; it is not designed to work alone. Business ethics is primarily a negotiation with partners; ethics record-keeping; use ethical methods of competition. Business ethics considered to be the same for businessmen from different countries.

The issues of business social responsibility, ethics, and environmental protection are on the agenda of modern companies. Social responsibility of business ethics and environmental protection are equally important and urgent tasks of modern business than the financial performance of the organization or the pay of top managers, because the issues of corporate responsibility are able to provide the

same impact on business reputation and business value, as well as standard indicators of economic growth.

"Social responsibility is a voluntary effort on the part of business to take various steps to satisfy the expectation of different interest group... the interest group may be owners, investors, employees, consumers, government, society or community."



1.7 KEY TERMS

Business Ethics, Ethical Dilemma, Corruption, Industrial Espionage, Cultural Relativism, Portfolio Manager, Corporate Responsibility, Responsiveness, Accountability, Diligence, Ethical Firm, Code of Conduct, Social Group, Consumer Right, Social Responsibility, Ethical Principle, Ethical Behaviour.

1.8 SELF-ASSESSMENT QUESTIONS

- Q 1 What is ethics?
- Q 2 What are some common ethical types?
- Q 3 Why do business people need ethics?
- Q 4 Can ethics be taught to people?

1.9 FURTHER READINGS

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1.10 MODEL QUESTIONS

- Q 1 Explain how ethics is an integral part of business.
- Q 2 Explain the concept of corporate code of conduct.
- Q 3 Explain with examples the different approaches of CSR.
- Q 4 Is there more unethical behavior in government than in business? Discuss.
- Q 5 How does corrupt behaviour resemble or differ from unethical behaviour?



Unit-2

Managing Ethical Behaviour at the Workplace

Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Importance of Ethical Behaviour at the Workplace

1.3 Benefits of Managing Ethics at the Workplace

1.4 Promoting Ethical Conduct at the Workplace

1.5 Ethical Workplace Culture

1.6 Let's Sum Up

1.7 Key Terms

1.8 Self-Assessment Questions

1.9 Further Readings

1.10 Model Questions

1.0 LEARNING OBJECTIVES

After going through this Unit, you will be able to:

- Recognize the importance of ethical leadership and ethical character
- Define workplace ethics: from legal compliance to organizational policy
- Maintain ethical compliance under the federal sentencing guidelines



- Identify key areas that present ethical dilemmas to the modern workforce
- Review the world of ethics—trends and case law across the nation
- Develop effective skills for spotting and handling ethical dilemmas
- Implement “transparency” by creating a culture of willful compliance
- Understand and complying with your organization’s code of conduct

1.1 INTRODUCTION

The management of ethics in the workplace holds tremendous benefits for everyone, benefits both moral -- and even practical. This is particularly true today when it is critical to understand and manage highly diverse values in the workplace, and at a time when too many people still feel that business ethics is a topic for philosophy or is about shaming and blaming people.

The field of business ethics has traditionally been the domain of philosophers, academics and social critics. Consequently, much of today's literature about business ethics is not geared toward the practical needs of leaders and managers -- the people primarily responsible for managing ethics in the workplace. The most frequent forms of business ethics literature today typically include:

- A) Philosophical, which requires extensive orientation and analysis;
- B) Anthologies, which require much time, review and integration;
- C) Case studies, which require numerous cases, and much time and analyses to synthesize; and
- D) Extended stories about businesses "gone bad".

This lack of practical information is not the fault of philosophers, academics or social critics. The problem is the outcome of insufficient involvement of leaders and managers in discussions and literature about business ethics. More leaders and managers must become more involved.



Business ethics refers to the set of guidelines or values which are used to judge an individual's actions and behavior in organizations. Irrespective of the nature of an organization and its function, an unethical employee promotes corruption and could also be a liability to the organization. Therefore, it is important that every organization provides effective ethical training to its workforce and ensure employees adhere with ethical behaviour and compliance policies.

Here are some tips to foster an effective ethical training in organizations.

1. Develop a code of ethics: The preliminary step to promote ethical behaviour among employees is by establishing a code of ethics. The code of ethics provides the direction and guidelines for employees' ethical behaviour. It also helps employees understand the organization's ethical expectations and rules.

Through a code of ethics training, the workforce gets a clear idea of the management's expectation with respect to employee code of conduct and enhances communication by promoting an ethical culture within the organization.

2. Make managers role models: In ethical training, designating managers as role models is another way of promoting ethical behaviour. For this purpose, managers need to be chosen with care and due consideration. This will be beneficial in the following ways:

- Employees will have a guiding force to promote ethical behaviour
- Employees tend to emulate their managers, and if they are ethical in their behaviour, it lends more credibility to the code of ethics
- If managers themselves strictly adhere to ethical standards, employees will feel less reluctant to oppose the guidelines laid out for ethical behaviour

3. Disciplinary actions for unethical behaviour: If any employee of the organization resorts to any malpractice or unethical behaviour after completing the ethical training, it's better to impose sanctions on them which will help employees understand the implications of inappropriate behaviour.

Therefore, the management needs to lay down disciplinary actions that will be taken against employees found guilty of violating the rules. If the management promotes 'sales at all costs', employees might resort to any means to achieve their



targets. However, if the management is serious about the means as much as the ends, they should ensure it is conveyed in no uncertain terms to their employees.

4. Rewards for ethical behavior: After the completion of the ethical training programme, an employee can be rewarded for positive behavior, so that the employee will not only continue to adhere to the ethical practices but also be an inspiration to his colleagues.

Therefore, it is important that employers identify and reward employees who stick to ethical practices, despite tempting situations.

Ultimately, it is the responsibility of the management to deliver an effective ethical training to its workforce to reduce wastage of time and money and ensure improvements in employee morale and productivity of the organization.

It is important for staffers to focus on accomplishing key company goals and developing good working relationships in the office, but it is equally important to ensure ethical conduct among employees. Ethical conduct ensures that your business maintains a reputation for sound professional principles and values that are directly in line with the company mission. There are a few different ways that you can promote ethical conduct among your staff.

Train Employees

You cannot expect your staff to act ethically in accordance with your company's code of ethics if they don't know what that code is or why it's important. Hold regular sessions on ethics and how to approach ethical dilemmas among staff. The more training and resources you provide, and the greater emphasis you place on being ethical and acting accordingly, the more your staff understands exactly what you expect in the office.

Reward Ethical Behavior

Far too often, companies simply expect ethical behavior; however, if you want to promote this as a prominent behavior among staff, then you need to show and prove, so to speak. Provide rewards for solid ethical behavior; for example, if you have an employee that goes above and beyond to put her personal interests aside



to always do what is best for her clients, that is considered ethical behavior and she should be rewarded and held up as an example for others to strive to do the same. The more you reward employees for sound ethical decisions, the more likely the masses will follow suit.

Lead by Example

Expect more of your management team; employees generally follow company examples set forth for them by management employees. Hold your managers to a higher ethical standard so that they are credible when they communicate expectations to their staffers to do the same. Challenge management staff to hold regular discussions with employees to work through potential ethical issues that may come up and find ways to brainstorm through them as a team. If everyone is on the same page, it is more likely that the team as a whole will adopt the same types of ethical behaviors.

Consider Work-Life Balance

According to the Accounting Web website, a 2007 Ethics and Workplace survey by Deloitte & Touche states that 91 percent of employees surveyed said they are most likely to make good ethical decisions at work when they have a better sense of work-life balance. Pay attention to signs of burnout or discontent among staff, and take steps to address these types of issues when they present themselves.

1.2 IMPORTANCE OF ETHICAL BEHAVIOUR AT THE WORKPLACE

Workplace ethics ensures positive ambience at the workplace. Workplace ethics leads to happy and satisfied employees who enjoy coming to work rather than treating it as a mere source of burden. Employees also develop a feeling of loyalty and attachment towards the organization.

Organizations need to have fool-proof systems to measure the performances of individuals. Appraisal system needs to be designed keeping in mind employee's performance throughout the year and his/her career growth. Periodic reviews are essential. It is mandatory for superiors to know what their subordinates are up to. You need to know who all are going on the right track and who all need that extra



push. Workplace ethics ensures management guides and mentors their employees well.

Appraisal and salary hikes should not happen just for the name sake. Workplace ethics is important as it enables management to treat all employees as equal and think from their perspective as well. Employees must have a say in their appraisal system. Transparency is essential.

An employee is bound to move on after a year or so if he/she is not appreciated and rewarded suitably. It is indeed the organization's loss when employees after being trained quit and move on. Do you think it is entirely the employee's fault? Why would an employee move on if he/she is fully satisfied with his/her current assignment? Employees change primarily because of two reasons - Career growth and monetary benefits. Management needs to make employees feel secure about their job and career. Unnecessary favouritism is against workplace ethics. If you favour anyone just because he is your relative, the other team members are bound to feel de-motivated and thus start looking for new opportunities. An individual's output throughout the year should decide his/her increment.

Organizations need to stand by their employees even at the times of crisis. You cannot ask your employees to go just because you don't need them anymore or your work is over. Such a practice is unethical. How can you play with someone's career? If an individual has performed well all through but fails to deliver once or twice, you just can't kick him out of the system. Workplace ethics says that organizations need to retain and nurture talents. If you have hired someone, it becomes your responsibility to train the individual, make him/her aware of the key responsibility areas, policies, rules and regulations and code of conduct of the organization. Employees need to be inducted well into the system. They must be aware of the organization's policies from the very first day itself.

Workplace ethics also go a long way in strengthening the bond among employees and most importantly their superiors. Employees tend to lie if you do not allow them to take leaves. If you do not allow an employee to take leave on an important festival, what do you expect the employee to do? What is the alternative left with him? He would definitely lie. Do not exploit your employees and don't treat them as machines. No employee can work at a stretch without taking a break. It is okay



if they talk to their fellow workers once in a while or go out for a smoke break. Understand their problems as well. If you feel the problem is genuine, do not create an issue. It is but natural that once or twice they would definitely call their family members and enquire about their well-being. Superiors should not have a problem with that.

It has been observed that organizations which are impartial to employees, lend a sympathetic ear to their grievances and are employee-friendly seldom face the problems of unsatisfied employees and high attrition rate.

Role of Management in Inculcating Workplace Ethics

Management plays an essential role in inculcating workplace ethics in employees. Bosses need to set an example for their subordinates. You need to come on time if you expect your team members to reach office on time.

Management needs to act as a source of inspiration for the employees. It is generally observed that team managers, leaders influence their team members to a large extent. Superiors strictly need to adhere to the rules and regulations of the organization for their employees to follow the same. Remember, you have no rights to scold your subordinates if you yourself are at fault. Moreover, no one would bother to listen to you as well. Don't expect your team members to sit till late if you yourself leave early.

It is the role of the management to motivate the employees and guide them as to what is right and wrong. Remember a boss is like the captain of the ship. It is your responsibility to take your team members along and provide constant mentoring. Rebuking is not the only solution. If you know one of your team members is meeting his girlfriend during office hours, do you feel insulting or criticizing in front of others would help? NO. Call him to your cabin or speak to him in private and make him realize that it is not morally correct to bunk office. You need to counsel him and make him understand his mistake politely. Trust me, being rude would make the situation more badly. Do not discuss the matter in front of others. The other person might not like it. Your job is to make the other person feel guilty and realize that indeed he has done something wrong. Believe me; he would never repeat his mistake.



Constant communication between the management and employees is of utmost importance in inculcating workplace ethics. Management ought to be transparent with its employees. Let them have a say in company's decisions. Let them decide what is right and what is wrong for them. Sit with them, discuss, brainstorm ideas and listen to what they have to say. Never ignore their opinions. Let them come out with their grievances.

Lend a sympathetic ear to their problems as well. Try to provide them a solution. If you feel most of your employees have a problem coming to office early as they in any case have to stay back till late in the evening as per the client's availability, please adjust the office timings accordingly. How can you expect your employees to reach office sharp at 8 am when they are leaving for the day at 10 pm. Remember, rules and regulations should not act as a hindrance in their performance. Be realistic and logical. If the problem is genuine and faced by a major chunk of employees, there is no harm in changing the policies. Think from the employee's perspective as well. Policies should not be too rigid.

Don't be too strict with the employees. If someone is not present in the office, please do not call his family members to enquire about him. No one would like it. We all are mature professionals to understand that if there is work, we need to finish it first rather than waste our time in gossiping and surfing social networking sites. Management can't force employees to respect the organization. Respect must be commanded and not demanded. Respect your employees if you expect the same in return.

Some organizations do not easily release their employees. Remember, you cannot stop an individual from changing his job if he/she has already decided to move on. Try to convince him once and if he/she is still not willing to continue, let him go. Employees depend on fake relieving letters, experience certificates when they do not get it from their previous organization on time.

Our actions affect not only ourselves, but also those around us. Many of our professional decisions involve ethics. If we tell a lie, we can lose someone's trust and undermine our own integrity. If we use shoddy materials or workmanship on the job, we can jeopardize the safety of others.



Questions of morality and ethics can be found at all levels of society. Ethical behaviour is equally important in the workplace as it is in our personal lives. Everywhere business is conducted, ethics matters. A successful business depends on the trust of various parties—employees, managers, executives, customers, suppliers, and even competitors. Six ethical terms form the foundation of trust upon which ethical business practice is built:

- Ethics
- Values
- Morals
- Integrity
- Character
- Laws

Ethics: Ethics refers to a set of rules that describes acceptable conduct in society. Ethics serve as a guide to moral daily living and helps us judge whether our behavior can be justified.

Ethics refers to society's sense of the right way of living our daily lives. It does this by establishing rules, principles, and values on which we can base our conduct. The concepts most directly associated with ethics are truth, honesty, fairness, and equity. While ethics is a societal concern, it is of critical importance to the professions that serve society. Because professionals such as physicians, attorneys, engineers, and property and facility managers provide services that affect our welfare, they develop professional codes of ethics that establish professional standards for behaviour.

Examples of the types of standards found in professional codes of ethics include:

- An attorney or physician maintaining client-patient confidentiality
- An accountant not using client information for personal gain



Values: Values are defined as the acts, customs, and institutions that a group of people regard in a favorable way. Statements of value typically contain words of approval, disapproval, and obligation. Some of these words might be good, bad, should, and should not. However, value judgments do not have to contain specific value words. “That is a lie” does not contain a particular word of disapproval, but the implication that a lie is wrong is understood.

Values are what really matter to us most—what we care about. For instance, family devotion, respect for the environment, and working hard for a day’s pay are three values that can evoke a response in many people.

Morals: Morals are a set of rules or mode of conduct on which society is based. Certain moral elements are universal, such as the laws forbidding homicide and the basic duties of doing good and furthering the well-being of others. With morals serving as the underpinning of society, there are four points we should remember, says philosopher Robert C. Solomon.

- *Moral rules are important:* In general, moral rules are rules that help society *function in a civilized way*.
- *Morality consists of universal rules:* They apply to everyone, everywhere, and are recognized by everyone as being necessary.
- *Morals are objective:* They do not consider personal preferences. Right is right and wrong is wrong.
- *Morality affects other people:* Morality involves considering the well-being of others as reflected by the Golden Rule: Do unto others as you would have them do unto you.

Integrity: To have integrity is to be honest and sincere. Integrity is defined as adhering to a moral code in daily decision making. When people and businesses possess integrity, it means they can be trusted. On the other hand, companies that lack this quality and mislead customers with inferior products or false advertising will suffer the consequences.

Character: Ethics is not just how we think and act. It is also about character. Character drives what we do when no one is looking. Each person has the ability to build, change, or even destroy his or her own character. We can build our



character through the way we live—by thinking good thoughts and performing good acts. Similarly, bad thoughts and behavior can destroy our character.

A person with character has high morals and will act morally in all situations by choice, not force. A person with character will honour his or her commitments. Character pertains to organizations, as well. A company with high character is worthy of trust and respect, acts honestly, and stands by its promises.

Laws: The law is a series of rules and regulations designed to express the needs of the people. Laws protect people from the most blatant and despicable affront to morality, such as murder, rape, and theft. Laws frequently provide us with a sense of right and wrong and guide our behavior, but not always. While murder is against the law, the law does not always stop someone from killing another out of hatred, anger, or in defense of a personal philosophy.

Laws are instituted as notions of justice and tend to be specific, yet diverse within different societies. Laws have always had a strong connection to morality, ethics, and values. But, not all laws are ethical.

Laws have legalized slavery, segregation, sexism, and apartheid. Although these laws might have reflected society's values at the time they were enacted, they could not nor will they ever justify immoral behavior. Likewise in business, it is not unlawful to lie to a coworker or on a job application, but both are ethically wrong.

These six concepts—ethics, values, morals, integrity, character, and laws—form the foundation of trust upon which ethical business practice is built.

Professional Codes of Ethics

Many professions and corporations have developed codes of ethics to address their unique business situations. In fact, 90 percent of Fortune 500 companies and nearly half of all corporations have codes of ethics that can be applied to all employees. By developing a code of ethics, an organization makes it clear that employees and members cannot claim ignorance as a defense for unethical conduct.

Benefits of a Corporate Code of Ethics



Codes of ethics help employees strike a balance between the ends and the means used to obtain them. This balance may be one of the most challenging aspects of being an ethical organization.

Companies that have made a bona fide effort to prevent unethical and illegal behavior are likely to receive less severe punishment should an employee be found guilty of breaking the law. The unethical conduct of just a few employees can affect an entire corporation.

A professional code of ethics sets a standard for which each member of the profession can be expected to meet. It is a promise to act in a manner that protects the public's well-being. A professional code of ethics informs the public what to expect of one's doctor, lawyer, accountant, or property manager. As long as professionals adhere to these standards, the public is willing to have their professional associations create and enforce their ethical codes.

In cases where these codes are repeatedly and grossly violated, the public's likely response is to demand protective legislation. Most professionals would prefer to police themselves, rather than have an externally imposed set of regulations. That is a major reason why they create codes of ethics in the first place.

Successful Implementation of a Code of Ethics

Within a corporation, top-down support is critical. If senior management does not act ethically and support others who do, an organization's ethical code will have little meaning. It is critical for managers and executives to:

- act consistently with the company's ethical standards
- apply those standards in dealing with employees

Acknowledging and rewarding those whose behaviors are consistent with a company's code of ethics proclaim to all that ethical behaviour is truly valued. On the other hand, promoting and providing bonuses to employees whose successes are due in part to unethical behaviour sends an unwanted message.

Remaining ethical is not a static issue. It requires review and evaluation. Companies need to periodically review their priorities and make necessary adjustments. Otherwise, their standards and training become outdated.



1.3 BENEFITS OF MANAGING ETHICS AT THE WORKPLACE

Ethical people are those who recognize the difference between right and wrong and consistently strive to set an example of good conduct. In a business setting, being ethical means applying principles of honesty and fairness to relationships with coworkers and customers. Ethical individuals make an effort to treat everyone with whom they come in contact as they would want to be treated themselves.

Asset Protection

A strong ethical culture within your business is important in safeguarding your assets. Employees who abide by your workplace ethics would be able to protect and respect your business's assets. For example, they would avoid making personal long distance calls using the business's lines. Workers can only respect company property when you treat them with respect and dignity, which makes them feel proud to be working for your business. Ensure that your workers perform in an environment with integrity and strong ethics. It increases employee pride and discourages them from stealing supplies or equipment.

Productivity and Teamwork

Workplace ethics is integral in fostering increased productivity and teamwork among your employees. It helps in aligning the values of your business with those of your workers. Achieving this alignment requires that you encourage consistent dialogue regarding the values of your business, which enhances community, integrity and openness among employees. Ethics enable your workers to feel a strong alignment between their values and those of your business. They show such feelings through increased productivity and motivation.



Public Image

You earn a lot of respect and cultivate a strong image in the public domain when you make ethical choices. For instance, you can fulfill your corporate social responsibility by reducing waste discharge from your business. The public would consider your business to be operating with honor and integrity while valuing people over profits. Building a strong public image through ethical conduct also earns you more clients. Customers would develop trust in you and do business with your organization.

Decision-Making

Ethical conduct in the workplace encourages a culture of making decisions based on ethics. It also enhances accountability and transparency when undertaking any business decisions. During turbulent times, a strong ethical culture guides you in managing such conflicts by making the right moves. It can help you to introduce change successfully in your organization, which can be a challenge. Ethical conduct within the business sensitizes you and your staff on how to act consistently even in difficult times.

Adaptive to Changes

Workers with professional ethics in the workplace are definitely the master key to the lock of success. The team of understanding, trust worthy, reliable, motivate, concern and responsible people will defiantly adapt themselves into any kind of position and work they are filled with.

More over in general, it has been seen worldwide that in the digressive market conditions, if the company asks for any changes in the production or changes in the kind of work then the workers oppose. In some situations the company is left empty handed falling short of workers as they leave the company due to changes, but things are just opposite when you have a trustworthy and responsible bunch of people as they themselves demand for changes according to the companies situation and let the company run even in the hard market situations.



Trouble-free Working Environment

Generally where everyone is unknown and more over no one wants to know each other there are higher chances of great trouble and where there is a friendly, respectful and understanding environment between the employees there are fewer chances of least troubles from the employees end. If in case, a situation arises where there is some little misunderstanding between the employees, it gets solved with in them due to better and strong understanding between all the employees. Even the management does not have to bother about those small little things as they know that the employees will take better care of themselves.

There is No One Left Negative

When people are detached from one another and someone gets negative regarding the companies work then it has been seen that from that single negative employee many are affected. Thus there is a sudden decline in the working of the employees, but when everything is good to go and everyone is concerned about one another then things become systematic and in case if someone gets negative, the positive and supportive environment works as a boost up for the person and again he/she starts working to their best.

Less Legal Issues

When everything is systematic and functional and in addition your workers are cooperative and understanding then you won't be facing any problems or legal obligations from the employees end, because all the workers are treated equally and all are well known with their duties which the job requires from them. When everything is managed and systematic then all the paper work and the legal formalities are the primary thing which is considered the most, so there is no question of any legal issues.

The Company will Touch New Level of Success

When everything is so managed and systematic along with the understanding of the employees because of their strong ethics, the company will surely touch new



heights of success and even the growth of your business will be assured. When your employees become expert in their respective works and respective fields, then their dedication and will to do the work will show true colors and give more fruitful results.

So, these were some of the importance of ethics in a professional environment. Truly ethics plays a vital role in a person's life, it decides all the characteristics that you will possess under different circumstances, more over all the emotions, vision of your life, way of living, struggle, happiness, desires are greatly influenced by the type of ethics you have learned from, which more over makes you a part of a society and people judge you from the ethics you possess in the society.

The more you take a hold on your ethics, the more stable and perfect you will become in your lifestyle. Ethic not only improves the way of our living but it also sets up a defined path which we can follow by following our ethics, and which will be finally leading you towards a final destination. The more you improve and travel on the perfect path, the more successful your achievements will be.

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics in the workplace.

1. Attention to business ethics has substantially improved society.

A matter of decades ago, children in our country worked 16-hour days. Workers' limbs were torn off and disabled workers were condemned to poverty and often to starvation. Trusts controlled some markets to the extent that prices were fixed and small businesses choked out. Price fixing crippled normal market forces. Employees were terminated based on personalities. Influence was applied through intimidation and harassment. Then society reacted and demanded that businesses place high value on fairness and equal rights. Anti-trust laws were instituted. Government agencies were established. Unions were organized. Laws and regulations were established.



2. Ethics programmes help maintain a moral course in turbulent times.

Attention to business ethics is critical during times of fundamental change — times much like those faced now by businesses, both non-profit and for-profit. During times of change, there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong. Continuing attention to ethics in the workplace sensitizes leaders and staff to how they want to act — consistently.

3. Ethics programmes cultivate strong teamwork and productivity.

Ethics programmes align employee behaviors with those top priority ethical values preferred by leaders of the organization. Usually, an organization finds surprising disparity between its preferred values and the values actually reflected by behaviors in the workplace. Ongoing attention and dialogue regarding values in the workplace builds openness, integrity and community — critical ingredients of strong teams in the workplace. Employees feel strong alignment between their values and those of the organization. They react with strong motivation and performance.

4. Ethics programmes support employee growth and meaning.

Attention to ethics in the workplace helps employees face reality, both good and bad — in the organization and themselves. Employees feel full confidence they can admit and deal with whatever comes their way. Bennett, in his article “Unethical Behavior, Stress Appear Linked” (Wall Street Journal, April 11, 1991, p. B1), explained that a consulting company tested a range of executives and managers. Their most striking finding: the more emotionally healthy executives, as measured on a battery of tests, the more likely they were to score high on ethics tests.

5. Ethics programmes are an insurance policy: they help ensure that policies are legal.

There is increasing number of lawsuits in regard to personnel matters and to effects of an organization’s services or products on stakeholders. As mentioned earlier in this document, ethical principles are often state-of-the-art legal matters. These principles are often applied to current, major ethical issues to become legislation. Attention to ethics ensures highly ethical policies and procedures in the workplace. It’s far better to incur the cost of mechanisms to ensure ethical



practices now than to incur costs of litigation later. A major intent of well-designed personnel policies is to ensure ethical treatment of employees, e.g., in matters of hiring, evaluating, disciplining, firing, etc. Drake and Drake (California Management Review, V16, pp. 107-123) note that “an employer can be subject to suit for breach of contract for failure to comply with any promise it made, so the gap between stated corporate culture and actual practice has significant legal, as well as ethical implications.”

6. Ethics programmes help avoid criminal acts “of omission” and can lower fines.

Ethics programmes tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an organization is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act, e.g., in business dealings with certain government agencies.

7. Ethics programmes help manage values associated with quality management, strategic planning and diversity management — this benefit needs far more attention.

Ethics programmes identify preferred values and ensuring organizational behaviors are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviors with preferred values, and then training all personnel about the policies and procedures. This overall effort is very useful for several other programs in the workplace that require behaviors to be aligned with values, including quality management, strategic planning and diversity management. Total Quality Management includes high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders. Ethics management techniques are highly useful for managing strategic values, e.g., expand market share, reduce costs, etc. McDonnell Douglas integrates their ethics programs into their strategic planning process. Ethics management programs are also useful in managing diversity. Diversity is much more than the color of people’s skin — it’s acknowledging different values and perspectives. Diversity

programs require recognizing and applying diverse values and perspectives — these activities are the basis of a sound ethics management program.



8. Ethics programmes promote a strong public image.

Attention to ethics is also strong public relations — admittedly, managing ethics should not be done primarily for reasons of public relations. But, frankly, the fact that an organization regularly gives attention to its ethics can portray a strong positive to the public. People see those organizations as valuing people more than profit, as striving to operate with the utmost of integrity and honor. Aligning behaviour with values is critical to effective marketing and public relations programmes. Consider how Johnson and Johnson handled the Tylenol crisis versus how Exxon handled the oil spill in Alaska. Bob Dunn, President and CEO of San Francisco-based Business for Social Responsibility, puts it best: “Ethical values, consistently applied, are the cornerstones in building a commercially successful and socially responsible business.”

9. Overall benefits of ethics programmes:

Managing ethical values in the workplace legitimizes managerial actions, strengthens the coherence and balance of the organization’s culture, improves trust in relationships between individuals and groups, supports greater consistency in standards and qualities of products, and cultivates greater sensitivity to the impact of the enterprise’s values and messages.

10. Last and most formal attention to ethics in the workplace is the right thing to do.

1.4 PROMOTING ETHICAL CONDUCT AT THE WORKPLACE

When employees fail to behave ethically, you must act swiftly to correct the bad behaviour. If you don't, the inappropriate behaviour might spread throughout your business, causing further problems. Victimized employees deserve your protection, so you must shield them from the unethical behaviour of others. If the unethical actions rise to the level of illegality, discuss the situation with your lawyers and the appropriate authorities. Stay watchful and ask employees to report any concerns they have; knowing what's going on in your organization at all times helps you nip problems in the bud.



1. Post clear guidelines that delineate the type of behaviour you expect. For example, ban discrimination and harassment of any sort. Warn employees not to take company supplies for personal use.
2. Outline potential punishments for unethical behaviour, but use them as a last resort. Workers respond better to positive reinforcement than they do to the threat of punishment.
3. Enact a rewards system that promotes ethical behaviour. For example, if employee theft is a problem, reward whistleblowers who notify management of problem employees. If an employee acts ethically even at a personal cost, publicly praise and reward him/her.
4. Ensure privacy for whistleblowers and people who file complaints. If workers fear retaliation from peers, they might hesitate to bring important matters to your attention.
5. Create an ethics panel if your business is large enough to warrant such a measure. The ethics panel should consist of reputable members of your organization whose judgment employees respect. Ask the panel to investigate and pass judgment whenever it is not clear whether a worker has crossed ethical boundaries.
6. Create the position of ethics compliance officer if your business is too small for a multi-person panel. Appoint someone objective and reputable so that employees know there is no favouritism and bias.
7. Punish workers as necessary to ensure everyone knows there are consequences for unethical behaviour. For example, if someone steals credit for a project, demote that person. If someone harasses or discriminates against another employee, fire or suspend that person, depending on the severity of the infraction.

Business ethics refers to the set of guidelines or values which are used to judge an individual's actions and behaviour in organizations. Irrespective of the nature of an organization and its function, an unethical employee promotes corruption and could also be a liability to the organization. Therefore, it is important that every organization provides effective ethical training to its workforce and ensure employees adhere with ethical behaviour and compliance policies.



Here are some tips to foster an effective ethical training in organizations.

1. Develop a code of ethics: The preliminary step to promote ethical behaviour among employees is by establishing a code of ethics. The code of ethics provides the direction and guidelines for employees' ethical behaviour. It also helps employees understand the organization's ethical expectations and rules.

Through a code of ethics training, the workforce gets a clear idea of the management's expectation with respect to employee code of conduct and enhances communication by promoting an ethical culture within the organization.

2. Make managers role models: In ethical training, designating managers as role models is another way of promoting ethical behaviour. For this purpose, managers need to be chosen with care and due consideration. This will be beneficial in the following ways:

- Employees will have a guiding force to promote ethical behaviour
- Employees tend to emulate their managers, and if they are ethical in their behaviour, it lends more credibility to the code of ethics
- If managers themselves strictly adhere to ethical standards, employees will feel less reluctant to oppose the guidelines laid out for ethical behaviour

3. Disciplinary actions for unethical behaviour: If any employee of the organization resorts to any malpractice or unethical behaviour after completing the ethical training, it's better to impose sanctions on them which will help employees understand the implications of inappropriate behaviour.

Therefore, the management needs to lay down disciplinary actions that will be taken against employees found guilty of violating the rules. If the management promotes 'sales at all costs', employees might resort to any means to achieve their targets. However, if the management is serious about the means as much as the ends, they should ensure it is conveyed in no uncertain terms to their employees.

4. Rewards for ethical behaviour: After the completion of the ethical training programme, an employee can be rewarded for positive behaviour, so that the employee will not only continue to adhere to the ethical practices but also be an inspiration to his colleagues. Therefore, it is important that employers identify and reward employees who stick to ethical practices, despite tempting situations.



Ultimately, it is the responsibility of the management to deliver an effective ethical training to its workforce to reduce wastage of time and money and ensure improvements in employee morale and productivity of the organization.

Ways to Encourage Ethical Behaviour at the Workplace

Unethical behaviour in the workplace has been present since man built the first office building. This doesn't mean you have to accept it on your team or in your company, however. A company's ethical climate, goals and policies can all have a significant impact on employee behaviour. You can help your employees to behave ethically by aligning your company's management practices with your expectations.

Rewards

Catch employees “doing something right” and reward ethical behaviour. For example, you might implement a system in which people can submit anonymous tips telling about employees behaving in a particularly honest way. Show gratitude when someone "blows the whistle" on a practice that could potentially hurt customers or stakeholders. Incorporate ethical standards into employee performance reviews. Encouraging ethical behaviour is always easier than confronting unethical behaviour.

Expectations

Ensure that your company states its values in the employee handbook and that these values are talked about and implemented in everyday business matters by all employees in a supervisory capacity. Charles Kerns, associate professor of applied behavioral science at the Graziadio School of Business and Management, recommends that companies adopt a number of values that result in an ethical business climate. These values are self-control, wisdom, justice, transcendence, kindness and integrity. For example, the value of self-control can result in the behaviour of doing what is right regardless of personal motivations.

Training

Through training, explicitly teach your employees how to behave in an ethical manner. Discuss ethically questionable situations and how to respond to them. Discuss the ramifications – in both the personal and professional arenas – of



failing to behave ethically. Emphasize the benefits of ethical behaviour, and point out how employees expect others to treat them fairly and with honesty. Training is most effective when role play is a part of the instruction, notes Manhattan College Accounting Professor Walter Baggett.

Policies

Sometimes implementing a policy to prevent unethical behaviour is the best option. For example, if workers regularly use the copy machine to make personal copies or steal supplies from the storeroom, you can require a code for the copier and ask the secretary to distribute office supplies as requested. Such policies result in employees not having to put their personal integrity to the test, Baggett said. Consider incorporating ethical behaviours into company policy as well. For example, confidentiality is required of healthcare workers, and breaching it can be grounds for termination. The same can hold true in your company for ethical standards that are essential to a productive work environment.

Workplace ethics ensures employees are treated with utmost respect. It also leads to a sense of satisfaction among employees and they develop a feeling of attachment towards their respective organizations. The feeling of loyalty is a feeling which is seen in very few individuals. For them, going to work is the best source of earning money and also keeping one-selves occupied. Organizations often complain of employees moving on when they are fully trained. An organization invests its time, money and energy in training a new employee and thus it is a big blow when he/she quits all of a sudden.

The best way to promote workplace ethics is to be very specific and careful while recruiting potential employees who would be representing the top levels especially the human resource department. **It is rightly said that human resource professionals are the face of an organization.** They need to understand the psychology of individuals well as they are the ones who have the responsibility of formulating policies, rules and regulations of the organization. Remember, policies should neither be too flexible nor too rigid. If policies are too flexible, no one actually follows them and if policies are too rigid, again employees would depend on excuses and lies to escape them. You must understand your nature of business. An organization which works primarily for



US Clients can't ask employees to report early in the morning as I am sure employees must be working till late or probably the whole night.

Human resource professionals ought to communicate the organization policies and code of conduct clearly to the employees the very first day. Also send them a mail for their ready reference. Tell them very clearly the office timings, hierarchy, dress code, salary structure, leave procedure, reporting structure and so on. In this case, they would never have an excuse later. Tell them from the very beginning that there are certain things which are expected out of them and organization is very strict on certain policies like coming to office on time, informed leaves etc. Make them clear that if they are caught bunking office or participating in unfair practices like stealing, passing on confidential information, they would be shown the exit door the very next day. Trust me, no one would even think of doing the same. Problems arise when employees are not aware of rules and regulations. Transparency between management and employees is of utmost importance and the best way to promote workplace ethics.

Listen to what your employees have to say. Let them come out with their problems. Superiors need to interact with employees on a regular basis and address their grievances. Management needs to make employees feel comfortable. They might come up with lots of issues and as a boss it is your responsibility to guide them and help them with a solution. Even if the problem is illogical, do not be harsh to them. Make them realize as to where they are wrong. Open communication is the best way to promote workplace ethics. Constant mentoring plays an important role in motivating the employees to adhere to the organization policies.

No employee should be given special treatments. Bonuses and hikes must be proportional to the employee's performance over a period of time. Appreciating the employee who really deserves is essential. Do not favour anyone just because you like him/her. Fair judgement is of utmost importance. You have nothing to do with his/her personal life. There should be absolutely no problem if an employee goes out to meet his girlfriend after office hours.

Organization needs to support its employees always, even at the hours of crisis. **Job security and constant career growth are two most important**

factors which ensure employees stick around for a long time and also are satisfied with their current assignment. If employees are happy and contented and feel respected, they would also strive hard to deliver their level best every time.



1.5 ETHICAL WORKPLACE CULTURE

Ethics is about behaviour. In the face of dilemma, it is about doing the right thing. Ethical managerial leaders and their people take the “right” and “good” path when they come to the ethical choice points. Managerial leaders and their people are invited to explore how values, actions, and behavioral standards can help steer organizational behaviour.

Values Drive Behaviour

A well-used axiom in organizational behaviour thought asserts that *values* ultimately drive our *behaviour*. In a nutshell, values exert influence over our attitudes, and attitudes influence our behaviour. Values are integral to attitude formation and to how we respond to people and situations. Extensive literature exists dealing with how values relate to effective managerial leadership. A review of this body of work leaves us with the clear picture that values are a key component of effective managerial leadership.

There seems to be a subset of virtuous values that align with ethical behaviour. The following are the core virtuous values that influence ethical behaviour and appear to have universal appeal.

- **Wisdom and Knowledge:** The capacity to take information and convert it to something useful. Wisdom comes from capitalizing on one’s experience to interpret information in a knowledgeable manner to produce wise decisions. A prerequisite to doing the right thing when facing an ethical dilemma knows what to do, knowing the difference between right and wrong.
- **Self Control:** The ability to avoid unethical temptations. The capacity to take the ethical path requires a commitment to the value of acting with temperance. Ethical people say “no” to individual gain if it is inconsistent with institutional benefit and goodwill.
- **Justice and Fair Guidance:** The fair treatment of people. Justice is served when individuals perceive that they receive a fair return for the energy and effort expended. For example, a leader’s commitment to justice is tested continually with the allocation of organizational resources. Are certain individuals and groups given special treatment without regard to objective criteria by which to judge fairness? Ethical leaders value and embrace fair advice and guidance.
- **Transcendence:** The recognition that there is something beyond oneself more permanent and powerful than the individual. Without this value, one may tend toward self-absorption. Leaders who are motivated



predominately by self-interest and the exercise of personal power have restricted effectiveness and authenticity.

- organization “with heart” allows for the expression of love, compassion and kindness among and between people, the goodwill which can be drawn upon when one faces ethical challenges.
- **Courage and Integrity:** The courage to act ethically and with integrity. These values involve discerning right from wrong and acting accordingly. They impel one to consistently do what is right without concern for personal consequences, even when it is not easy.
- **Love and Kindness:** The expression through words and deeds of love and kindness. Researchers have documented that there appear to be different types of “love.” In an organizational context, love refers to an intense positive reaction to another co-worker, group and/or situation

In practice, these six categories of virtuous values are intertwined. For example, the capacity to administer resources fairly and offer fair guidance to stakeholders along the way is supported by courage and integrity. Difficult decisions surrounding the allocation of limited resources leave some individuals and groups with less than they would prefer. The redeeming grace is the perception that such decisions are made with fairness and integrity. Unpopular decisions are easier to accept when they are perceived to be derived fairly and with integrity. Driving ethical behaviour with values and attitudes requires that there be alignment among values, attitudes, and behaviour. Examples of this alignment between each of the virtuous values, associated attitudes, and behaviour are offered in Table 1.

Value	Attitude	Ethical Behaviour
Wisdom and Knowledge	Experience promotes wisdom that helps convert information to knowledge.	Using knowledge to solve problems ethically and to do what is right.
Self-Control	Self-control means effectively managing reactions to challenging situations and temptations.	Putting personal motivations aside and acting with objectivity by doing what is right.
Justice	Acting justly and fairly is a long-term driver of ethical behavior; remember the “Golden Rule.”	Establishing just and mutually agreed upon criteria and administering them fairly to all people.
Transcendence	The belief in a power and source outside oneself reduces self-serving actions and increases humility.	Putting institutional and/or stakeholder interests above self-interests. Identifying a personal purpose that is aligned with organizational mission.
Love and Kindness	Treating people with kindness helps increase the reservoir of positive affection and love.	Recognizing and encouraging others for their contributions.
Courage and Integrity	Ethics requires the courage to do the right things consistently without regard to personal consequences.	Making unpopular decisions based on fair consideration of the facts.

Putting Virtuous Values into Practice



What can managerial leaders do on a proactive basis to encourage ethical behavior? At least **five practices** help leaders steer their organizations toward ethical conduct.

First, any gap between knowledge about what to do and actual actions needs to be closed. If you know what is the right thing to do, just do it. Unfortunately, too often “white collar” criminals will tell us that they knew what was right, yet they failed to do it.

Second, managerial leaders must be very deliberate about who joins their organization. Many organizational leaders believe that selecting people for their values is as important as selecting for skill sets. Long-term success depends on putting the right people in place. Larry Bossidy, as CEO of Allied Signal, made people selection a top priority and considered it a key task of top management. Selecting people who share your virtuous values is critical to building an ethical culture and long-term business success.

Third, new personnel need to be socialized into the organization so as to advance virtuous values. As a way of promoting and influencing ethical behaviour, it is very powerful for new employees to hear managerial leaders espouse core virtuous values and to see those values affirmed through the actions of others in the organization.

Fourth, accountability and follow-up are critical in putting virtuous values into practice. Systems and procedures can remind people of commitments and help connect words or promises with deeds. In organizations with behavioral integrity, words and deeds count. When virtuous values are driving behavior, the alignment of words and deeds serves to advance the creation of an ethical work culture.

Finally, managerial leaders can positively impact the practice of ethical behaviour by fairly allocating organizational resources and linking them appropriately. **All managerial leaders have five key resources to manage: people, money, capital assets, information, and time.** Allocation of these resources and the process managers use to accomplish such distribution can create perceptions of equity and fairness, or inequity and unfairness. Managerial leaders who value justice and

fairness are more likely to deal the cards fairly — thereby modeling ethical behaviour — than are those who do not.



Behavioral Standards and Codes of Conduct: The Safety Net

Ideally, managerial leaders and their people will act ethically as a result of their internalized virtuous core values. I like to think of this as ethics from the “inside out.” Relying solely on this “inside out” approach, however, is simply naïve in many circumstances.

Established behavioral standards and written codes of ethical conduct can help bolster virtuous values and promote ethical organizational behaviour. Behavioral standards usually incorporate specific guidelines for acting within specific functional workplace areas. For example, a sales department may clearly outline criteria for expense reimbursements.

Codes of ethical conduct have received varying degrees of attention over the past three decades. They can be categorized into three types:

Type 1: **Inspirational-Idealistic** codes of conduct specify global themes such as “Be honest,” “Show integrity in all matters,” “Practice wise decision making,” etc. Such themes are not anchored to specific behaviour or situations.

Type 2: **Regulatory** codes of conduct proscribe clearly delineated conduct. This type of code is designed to help as a jurisprudential tool when disputes occur. It is more of a “do and don’t” approach.

Type 3: **Educational/Learning-Oriented** codes of conduct offer principles to guide decision making and behavioral reactions into likely situations. This approach is compatible with building a learning organizational culture. For example, the principle and value of fairness might be applied to allocating a bonus pool. Managerial leaders responsible for this process could be engaged in scenarios wherein they would be asked to take “fair action” in making these allocations. Such learning experiences can serve to enlighten and inform so as to foster ethical decision making.



Behavioral standards and codes of ethical conduct can help steer ethical behavior by offering a cue or written rule to remind personnel of the right thing to do—an “outside in” process for ethical behavior management. These standards and codes trigger peoples’ internalized values, thus gaining strength through firm yet fairly administered consequences.

The Ethical Behaviour Formula

Taken together, virtuous values, actions, and behavioral standards/codes can produce a “formula,” such as that illustrated below, that may increase the likelihood of ethical organizational behaviour:

Virtuous Values + Aligned Action + Behavioral Sandards/Codes → Increased Ethical Behaviour

Consider adapting the six virtuous values and aligning them with key managerial leadership actions such as selection, employee orientation/socialization, and allocation of resources. Behavioral standards and/or codes of ethical conduct can be added as appropriate. Acting on these three formula components may serve to increase the display of ethical organizational behavior.

Three Good Reasons to Apply the Formula

There are at least three good reasons to practice ethical behaviour in your organization. These reasons may motivate you to adapt the “formula” into your managerial leadership practice repertoire.

- First, it is the right thing to do. Employees and external stakeholders alike want and deserve to be treated ethically. Taken to the extreme, a culture allowing unethical behaviour can breed all manner of damaging and even criminal activity.
- Second, it makes economic sense. A mounting body of evidence shows that an emphasis on the softer sides of business, including ethics, positively influences the harder traditional bottom line. By listening to employees, effectively recognizing their work, and practicing good ethical behaviour, managers have given a boost to such hard measures as operating earnings, ROI, and stock price.



- Third, in line with a growing trend to look beyond shareholder value to a broader stakeholder perspective, organizational ethical behaviour becomes the socially responsible thing to do. Just think for a moment about the impact of Enron's, Tyco's and World Com's unethical behavior on their respective communities, workforces, and other stakeholders.

Importance of Employee Code of Conduct

Employee code of conduct guides individuals as to how they should behave at the workplace. Employees need to be aware as to what is expected out of them in the office. You just can't behave the same way at office as you behave at home. Your Boss can be your best friend outside office but at work you have to respect him and also treat him like your superior. Employee ethics is essential for maintaining discipline at the workplace. Management needs to be liberal with the employees but there has to be some element of fear also in the minds of employees. If the superiors are too friendly with their subordinates, there are chances they might start taking undue advantage of the friendship. There has to be a balance always. Yes, organization's policies ought to be employee friendly but that does not mean employees come to office at 11 am just because they cannot get up early in the morning. There has to be a genuine reason for everything.

There has to be a proper dress code for employees. Individuals just can't enter into the office wearing anything. Employee code of conduct decides what individuals ought to wear to office. Some organizations are very particular of what their employees wear to work. It is always better if employees come to work in formals. Casual dressing is okay on Saturdays but that does not mean you can come to work wearing shorts. Dress sensibly even if it is a weekend and you have already gone in the holiday mood. Employee dress code also ensures uniformity among employees.

Employee code of conduct ensures career growth and also benefits the organization in the long run. If employees understand the difference between what to do and what not to do at the workplace, problems would never arise. We bunk offices because we do not realize that such a practice is wrong and unethical. Employee ethics ensures employees adhere to the rules and regulations and also work for the organization. Employee ethics motivates employees not to indulge in



gossiping, nasty politics, criticizing fellow workers, bunking office and so on. They seldom think of sharing confidential information or data with competitors and all their energies are utilized in productive activities which would benefit the organization.

Employee ethics ensures employees attend office on time and genuinely respect their superiors. Most of the time, it has been observed that employees have a hate relationship with their Bosses. Are bosses wrong always? Ask yourself. How would you feel if someone reporting to you is absconding from the office and you have a deadline to follow? Yes, sometimes it does become essential to show your powers and be a little authoritative. Understand that employee ethics is not meant to downgrade employees but make them aware of their duties and responsibilities in the organization.

Most essentially, employee ethics is important as it goes a long way in making the value system of employees strong. This way, employees on their own develop a feeling of attachment and loyalty towards the organization. Remember, employee ethics is not meant to bind you but make you an indispensable employee.

Six Ways to Create a Culture of Ethics in Any Organization

So often we hear about unethical behaviour of organizations and their leaders that seem intent on screwing their customers, lying and cheating, and perhaps laughing all the way to the bank. It is demoralizing to learn that so many organizations and leaders just can't be trusted. Yet, there are many ways that organizations can create a culture that supports and nurtures ethics. And good ethics is good business in the end. Closely attending to just a few important and easy to remember strategies to help create and sustain a culture of ethics could be endorsed and shared with perhaps all organizations. These include the following:

1. Clear Expectations for what is Okay and Not Okay

All organizations have both spoken and unspoken rules and guidelines about how to act within their environments. This includes everything from attire, attitudes expressed, and behavior towards colleagues, customers, and the public. For anyone who has worked at several organizations, even within the same sector such



as corporations or universities, they can likely describe how the culture of these organizations differ and sometimes differ radically.

Many of the cultural norms and expectations of an organization are never expressed in writing but are inferred once you closely observe the environment of the organization for some duration. Some organizations highlight ethical values and decision making more than others. Many may pay lip service to following ethical guidelines but then don't practice what they preach. Some are more utilitarian than others. Others are more hospitable and gracious than others. A clear expectation for behaviour among all members of an organization is the first step towards a more ethical organizational culture.

2. Modeling Desired Behaviour (especially from organizational leaders)

People tend to model the behaviour of others (especially well thought of and desirable others) and that leaders within any organization act as models for those below them in the organizational chart. Thus, any organizational leaders must be mindful that they are being watched very closely and that others in the organization will likely follow their lead when it comes to ethical behaviour and attitudes.

There are specific stages of observational learning to include *attention, retention, reproduction, and motivation*. Thus, for observational modeling to occur, one need to observe or attend to the model, remember the model's behaviour, reproduce the model's behaviour, and be motivated to do it again and again.

Thus, organizational leaders must practice what they preach and be sure that they model for others the desired behaviours that they wish to nurture within their organizations. If the highest standards of ethics are desired within an organization then high profiles leaders in that organization much demonstrate these standards and be beyond reproach in this regard. Their actions often will speak louder than their words when it comes to helping to create a more ethical environment within their organizations.



3. Reinforce the Behaviour You Want, and Don't Reinforce the Behaviour that You Don't Want

If you want behaviour to continue, then reinforce it. If you want behaviour to discontinue, don't reinforce it. This is a pretty simple truth yet it is often hard to do and hard to remember for many organizations and individuals alike. And it is certainly easier said than done. Organizations must be mindful and intentional about what behaviours they want to reinforce and what behaviours they do not want reinforced. Ethical behaviour must be clearly reinforced so that it will continue to occur. Problematic unethical behaviour should not be reinforced if the organization wishes to extinguish these undesirable behaviours.

Offering opportunities for recognition, awards, and social reinforcements for desirable ethical behaviours can go a long way to promote the types of ethical culture desired in any organization. Certainly, these rewards or reinforcements must be thoughtfully considered and delivered with careful attention to both intended and unintended consequences of using them.

4. Focus on Skill Building and Problem Solving

Organizations can do a great deal to focus their attention on developing ethical skills and problem solving techniques. Rather than only stating what kinds of behaviours are expected or not, institutions must help with the step by step strategies for developing effective ethical decision making and behavior skills and strategies for resolving ethical dilemmas or troubles. Workshops, easy to use reference materials, ongoing and readily available consultation from peers or mentors are just some of the many ways institutions can assist in training students and staff to best use the tools that are available to them to participate in better and more thoughtful ethical decision making.

5. Provide the Tools People Need to Act Ethically

If an organization wants to create a culture of ethics they must be sure that members have the tools that they need to do so. These include adequate and appropriate training, consultation, modeling, and supervision. These tools also



include being able to bring internal and external to the organization experts in to engage staff at all levels of training and problem solving as well.

Having an ethics ombudsman or point person for an organization can be especially valuable. They or their staff can provide a focal point for getting tools and resources to better help with ethical consultation.

6. Provide Corrective Feedback

Another basic and important principles borrowed from introductory psychology is the notion of immediate corrective feedback. Unless organizations offer timely and thoughtful corrective feedback regarding behavior they will unlikely create a culture of ethics. Reinforcement for behaviour that is desired and corrective feedback for behaviour that is not desired is critical to help create and sustain a culture of ethical behaviour and consideration.

This corrective feedback needs to be conducted in the spirit of collaboration and education rather than in terms of punishment or chastisement. Collaboration and education allow for more openness and less defensiveness when feedback is provided. Immediate feedback is critical to maximize a fuller understating of the problem behaviour as well.

These six principles can be very helpful to a wide variety of organizations that desire to create a more ethical culture. These principles provide an easy to remember and straight forward set of suggestions that are inspirational in nature yet offer a clearer focus on ways to maximize ethical behaviors within diverse organizational climates. Having these important principles well understood and frequently used and discussed within organizational life hopefully allows all members of these organizations to be much more attentive to how their work and learning environment can be more ethically focused.

1.6 LET'S SUM UP

Building an ethical workplace culture requires equal skills in policy-making and relationship-building and equal emphasis on procedures and values. Structural concerns like codes, training and clear criteria matter, but so do storytelling, mentoring and presiding over an organization's routines and ceremonies. In an



ideal workplace, structures and relationships will work together around core values that transcend self-interest. Core values will inspire value-creating efforts as employees feel inspired to do what is right, even when the right thing is hard to do. The ethics of workplace cultures matter because the work itself matters and requires the cooperation that only positive, virtuous ethics can sustain.

Established behavioral standards and written codes of ethical conduct can help bolster virtuous values and promote ethical organizational behavior. Behavioral standards usually incorporate specific guidelines for acting within specific functional workplace areas. Codes of ethical conduct have received varying degrees of attention over the past three decades. These specify global themes such as “Be honest,” “Show integrity in all matters,” “Practice wise decision making,” etc. Such themes are not anchored to specific behaviour or situations. Behavioral standards and codes of ethical conduct can help steer ethical behavior by offering a cue or written rule to remind personnel of the right thing to do—an “outside in” process for ethical behavior management. These standards and codes trigger peoples’ internalized values, thus gaining strength through firm yet fairly administered consequences.

1.7 KEY TERMS

Workplace, Anthologies, Ethical Culture, Rewards, Company Goals, Ethical Dilemmas, Lead by Example, Work-life Balance, Foolproof Systems, Career Growth, Employee-friendly, Attrition Rate, Morality, Integrity, Values, Ethical Standards, Asset Protection, Teamwork, Ethical Conduct, Self-control, Fair Guidance, Transcendence, Behavioural Standards, Corrective Feedback.

1.8 SELF-ASSESSMENT QUESTIONS

1. If a group of strangers walked into our organization for the first time and spent the day with us, what would they say is on our cultural canvas? What values would they see in action?
2. What positive ethical values do we make the focal point of our culture?
3. How will we “paint” those values in a lasting way onto the canvas of our culture?

1.9 FURTHER READINGS



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1.10 MODEL QUESTIONS

1. How will we build the deep level of trust that is necessary for open conversation?
2. How will we align all of our messages and reward systems to aim directly toward the ethical values we say are important?
3. How will we prepare leaders to paint ethical values onto our cultural canvas through their daily leadership?
4. How will we know when everyone in the organization is committed to our values? What will we see happening?



Unit-3

Professional Ethics, Values and Moral at the Workplace

Structure

1.0 Learning Objectives

1.1 Introduction

1.2 Significance of Ethics at the Workplace

1.3 Relationship between Ethics, Values and Moral

1.4 Leadership Values and Workplace Ethics

1.5 Let's Sum Up

1.6 Key Terms

1.7 Self-Assessment Questions

1.8 Further Readings

1.9 Model Questions

1.0 LEARNING OBJECTIVES

After going through this Unit, you will be able to:

- set and pursue personal and educational goals
- identify and access learning sources and opportunities
- show a willingness to continuously learn and grow
- learn from your mistakes and successes
- seek and accept constructive feedback from others
- stay in touch with techniques and technologies in your field
- Manage differing opinions on complex ethical scenarios
- Use a technology platform as a part of your learning environment.



1.1 INTRODUCTION

When we trace the origin of business ethics we start with a period where profit maximization was seen as the only purpose of existence for a business. There was no consideration whatsoever for non-economic values, be it the people who worked with organizations or the society that allowed the business to flourish. It was only in late 1980's and 1990's that both intelligentsia and the academics as well as the corporate began to show interest in the same.

Nowadays, almost all organizations lay due emphasis on their responsibilities towards the society and the nature and they call it by different names like corporate social responsibility, corporate governance or social responsibility charter. In India Maruti Suzuki, for example, owned the responsibility of maintain a large number of parks and ensuring greenery. Hindustan Unilever similarly started the e-shakti initiative for women in rural villages.

Globally also many corporations have bred philanthropists who have contributed compassion, love for poor and unprivileged. Bill gates of Microsoft and Warren Buffet of Berkshire Hathaway are known for their philanthropic contributions across globe.

Many organizations, for example, IBM as part of their corporate social responsibility have taken up the initiative of going green, towards contributing to environmental protection. It is not that business did not function before the advent of business ethics; but there is a regulation of kinds now that ensures business and organizations contribute to the society and its well-being.

Nowadays business ethics determines the fundamental purpose of existence of a company in many organizations. There is an ensuing battle between various groups, for example between those who consider profit or share holder wealth maximization as the main aim of the company and those who consider value creation as main purpose of the organization.

The former argue that if an organizations main objective is to increase the shareholders wealth, then considering the rights or interests of any other group is



unethical. The latter, similarly argue that profit maximization cannot be at the expense of the environment and other groups in the society that contribute to the well being of the business.

Nevertheless business ethics continues to a debatable topic. Many argue that lots of organizations use it to seek competitive advantage and creating a fair image in the eyes of consumers and other stakeholders. There are advantages also like transparency and accountability.

Values and ethics in simple words mean principle or code of conduct that govern transactions; in this case business transaction. These ethics are meant to analyze problems that come up in day to day course of business operations. Apart from this it also applies to individuals who work in organizations, their conduct and to the organizations as a whole.

We live in an era of cut throat competition and competition breeds enmity. This enmity reflects in business operations, code of conduct. Business houses with deeper pockets crush small operators and markets are monopolized. In such a scenario certain standards are required to govern how organizations go about their business operations, these standards are called ethics.

Business ethics is a wider term that includes many other sub ethics that are relevant to the respective field. For example there is marketing ethics for marketing, ethics in HR for Human Resource department and the like. Business ethics in itself is a part of applied ethics; the latter takes care of ethical questions in the technical, social, legal and business ethics.

Decision making involves a great degree of value clarity, ethical decision making involves more! Unlike certain financial, inventory and production decisions, ethical decisions cannot be coded into digital machines. They require critical thinking and evaluation.

What makes ethical decision making so difficult? Why cannot ethical decisions be programmed like other decisions? What leads to dilemmas in ethical decision making? Let's try to understand basic difficulties involved in ethical decision making.



An organization is an amalgamation of various individuals and there is a conflict of interest at the personal level between these members, each one is concerned about his benefits and neutral or opposing to the benefits or good of others. This conflict of interest leads to situations that are morally challenging to the manager who wants to be moral and righteous to his own conscience and serve the interests of the organization. Here the dilemma arises on deciding upon the course of action.

In the second case a conflict arises when there is a distinction to be made about facts and values. This implies a situation where a manager confronts 'what is' and weighs the same against 'what ought to be'. For example an organization may spend lots of resources upon developing, researching or upgrading a certain product and service, which gets reflected in the final price of the latter. This increase in price may be looked upon as exploitative by the end users!

Yet another difficulty arises in cases when there is a fine line dividing the good from the bad or the evil and in situations when there is a difference of opinion on what is morally permissible and what is not. Undoubtedly, in our society the good and the evil exist side by side. Example in case, Nestle infant formula lead to many deaths in Kenya because the formula was prepared in contaminated water. The same formula proved life saving in other countries. The challenge lies in minimizing the evil and trying to arrive upon a consensus.

In an era of uncertainty, it is almost impossible to predict the outcomes of decision making. One of the principles of ethical decision making assumes that the outcome of a decision is known and that the decision that results in greatest good for greater number of people is the best. Practically, anticipating the exact outcome of a course of action is impossible. This uncertainty is at the root of all difficulties in ethical decision making.

Lastly, we may say that ethical stand points of organization and their critics are opposite and based on an entirely different set of reasons; here the ethical arguments made to justify intentions are by and large incompatible. For example an environment protection foundation may criticize the operations of an organization on grounds of the latter polluting the environment. The organization



may justify itself by saying that it is adding more value to the society and to individual lives, making it more comfortable by its products and services.

Let us go through some workplace ethics:

Rules and regulations ought to be same for everyone. Everyone needs to attend office on time irrespective of their designation, distance of their home from the workplace, salary or status. An individual cannot come to office late just because he is the team leader and his team is already present and working on his behalf. If a day's salary of a clerk is deducted for coming late to work, it should be the same for the marketing manager as well.

Company's policies need to be clearly communicated to each and every one. There should be transparency at all levels of hierarchy. Employees are the backbone of any organization and thus they must have a say in company's goals and objectives.

An organization ought to respect its employees to expect the same in return. Rules and regulations should not be too rigid. Don't expect an employee to attend office two days before his marriage date. If an employee is not keeping well, please do not ask him/her to attend office unless and until there is an emergency.

Management must not forget that money is a strong motivator for employees. Everything is important, be it career, growth, job satisfaction but what is most important is employee's salaries. Do not unnecessarily hold their salaries for a long time unless and until there is really shortage of funds. In case of marketing and sales employees, conveyance and mobile bills must be cleared at the earliest. Do not ask for unnecessary bills and documents.

Organization should not expect employees to attend office 365 days a year. It is the responsibility of human resource professionals to prepare the holiday calendar at the beginning of the year and circulate the same among all employees. Let employees enjoy their respective festivals and come back to work with positive energy and smile. In fact, allow them to go in the festive mood two days prior to the D day. Ask them to organize pre festival bashes at the workplace. Let them dress in colourful attires and have fun. Trust me, work never suffers this



way. Rather, employees feel attached to the organization and strive hard to deliver their level best every time.

Give employees the space they require. Key responsibility areas need to be communicated to the employees on the very first day of their joining. Roles and responsibilities need to be assigned as per an individual's expertise and experience. Do not expect an employee with one year experience to head the marketing team. Employees need to be trained well. Organizations need to give at least six months' time to the new employees to adjust in the new environment.

It has been observed that most of the times employees cry when they are underpaid. Make sure employees get what they deserve. Salaries should be decided in the presence of the employee and also keeping in mind an individual's role in the organization, his/her gross salary in the previous organization, responsibilities within the current system and of course his/her years of experience. One of the major reasons as to why employees quit their jobs after a year or so is poor appraisal system. Increments ought to be directly proportional to the amount of hard work an employee puts in throughout the year and also his/her performance. Unnecessary favours are against the workplace ethics.

Do not be too strict with your employees. Do not block all social networking sites. Blocking Face Book and WhatsApp is not the ideal way to ensure employees are working and not wasting their time. Even a 24x7 check would not prevent employees from wasting their time unless and until they realize it themselves. The moment, you are strict with something, people would tend to do the same more.

1.2 SIGNIFICANCE OF ETHICS AT THE WORKPLACE

Professionalism and ethical behaviour in the workplace can benefit your career and improve your working environment. Understanding examples of professional and ethical behaviour can help you to develop your own effective work habits. Be conscious of how you treat co-workers and your workplace attitude and you can improve your productivity and effectiveness.



Meetings

Business meetings are regular occurrences in the corporate world, and by following meeting etiquette you can improve your professional image. Be prepared to contribute to the meeting by reviewing the agenda in advance and arrive on time. Recognize each speaker that has the floor and do not try to talk over someone else. Be respectful of the meeting chairperson and follow the format of the meeting, which would include using the proper times to ask questions.

Communication

Ethical treatment of your co-workers and managers means being respectful of the need for efficient and accurate communication. Follow the instructions on company memos and ask questions only after you have thoroughly read the information. Asking questions about information that is clearly marked on company correspondence is unprofessional and presents the image of someone who does not follow instructions. Refrain from repeating office gossip, as helping to spread false or demeaning information regarding a co-worker is considered unethical.

Time Management

Be early to work so that you can settle into your job duties, say hello to co-workers and get coffee before your shift is scheduled to start. Follow the lunch and break schedules by leaving when you are scheduled and returning on time. Check out and in when you leave for breaks and lunch. Before beginning your day, check your work schedule so that you know where you have to be and at what time.

Employee Safety

It is the responsibility of each employee to report suspicious people in the office or misconduct committed by company employees. Company policies are designed to create a safe workplace. By reporting violations of company policy, you are doing your part to maintain a high standard of ethics in your office that will keep employees and visitors safe. For example, fire exits that are not properly maintained should be reported immediately for repair. Employees that do not



follow the regulations in regard to proper disposal of cigarettes in the break area could be causing a fire hazard and that should be brought to the attention of management.

Workplace ethics ensures positive ambience at the workplace. Workplace ethics leads to happy and satisfied employees who enjoy coming to work rather than treating it as a mere source of burden. Employees also develop a feeling of loyalty and attachment towards the organization.

Organizations need to have fool-proof systems to measure the performances of individuals. Appraisal system needs to be designed keeping in mind employee's performance throughout the year and his/her career growth. Periodic reviews are essential. It is mandatory for superiors to know what their subordinates are up to. You need to know who all are going on the right track and who all need that extra push.

Workplace ethics ensures management guides and mentors their employees well. Appraisal and salary hikes should not happen just for the name sake. Workplace ethics is important as it enables management to treat all employees as equal and think from their perspective as well. Employees must have a say in their appraisal system. Transparency is essential.

An employee is bound to move on after a year or so if he/she is not appreciated and rewarded suitably. It is indeed the organization's loss when employees after being trained quit and move on. Do you think it is entirely the employee's fault? Why would an employee move on if he/she is fully satisfied with his /her current assignment? Employees change primarily because of two reasons - Career growth and monetary benefits. Management needs to make employees feel secure about their job and career. Unnecessary favouritism is against workplace ethics. If you favour anyone just because he is your relative, the other team members are bound to feel demotivated and thus start looking for new opportunities. An individual's output throughout the year should decide his/her increment.

Organizations need to stand by their employees even at the times of crisis. You cannot ask your employees to go just because you don't need them anymore or your work is over. Such a practice is unethical. How can you play with someone's



career? If an individual has performed well all through but fails to deliver once or twice, you just can't kick him out of the system. Workplace ethics says that organizations need to retain and nurture talents. If you have hired someone, it becomes your responsibility to train the individual, make him/her aware of the key responsibility areas, policies, rules and regulations and code of conduct of the organization. Employees need to be inducted well into the system. They must be aware of the organization's policies from the very first day itself.

Workplace ethics also go a long way in strengthening the bond among employees and most importantly their superiors. Employees tend to lie if you do not allow them to take leaves. If you do not allow an employee to take leave on an important festival, what do you expect the employee to do? What is the alternative left with him? He would definitely lie. Do not exploit your employees and don't treat them as machines. No employee can work at a stretch without taking a break. It is okay if they talk to their fellow workers once in a while or go out for a smoke break. Understand their problems as well. If you feel the problem is genuine, do not create an issue. It is but natural that once or twice they would definitely call their family members and enquire about their well-being. Superiors should not have a problem with that.

It has been observed that organizations which are impartial to employees, lend a sympathetic ear to their grievances and are employee-friendly seldom face the problems of unsatisfied employees and high attrition rate.

1.3 RELATIONSHIP BETWEEN ETHICS, VALUES AND MORAL

Many employers are concerned about how their employees behave at work. And they should be! How an employee behaves toward customers can have a major impact on whether or not those customers ever come back; how an employee behaves toward other employees could result in lawsuits; and how an employee behaves with suppliers could result in a criminal prosecution. There's a lot at stake for employers when it comes to making sure that employees behave the way the company desires. We want employees to be both ethical and moral. The problem is that these words have different meanings to different people.



Ethics are defined by company practices and also common practice. A company can enforce ethical behaviour by first defining what it means to be ethical in that specific organization. Some common ethics that most companies will want to enforce include the following: you don't lie, you don't steal, you don't cheat (on expense reports or anything else), you don't falsify information, etc. A company can specifically state its ethics policies, and can hold employees to specific behaviours. As in any standard reinforcement situation, you can either reward good behaviour or punish bad behaviour. Because morals are internal and based on how someone was raised, it is harder to control or have an effect on someone's morals. What I may consider to be immoral may be perfectly acceptable to someone else. Yet, we may work together as long as we do our work and abide by the ethics of the organization. Of course, there are some immoral behaviors that spill over into the unethical.

To be a human is to care, to nurture, to inspire, to share, to help, to guide, to learn, to understand and to teach. These qualities indicate humanness and their absence is to be sub-human. Living humanness manifests harmony in relationships, community and society at large. Harmonious humankind can be sustained forever.

To realize this harmony each person's interactions can be qualified in terms of **ethics, values and moral**. These are all **attitudes** by which one may conduct himself/herself; these may also be considered as guiding principles in life. Each person needs to make a conscious decision to live in accordance with these; in absence of such a decision a person by default leads a disharmonious life.

These attitudes are reflected in our thought, speech and actions, this in turn determine the quality of our interactions with our fellow beings. These three: ethics, values and moral define a person's humanness and therefore his/her identity in terms of humanness is defined by these three.

Ethics - The basis of harmony in society & social order

Ethics is the policy of living in the society. It is a way of living which nurtures the order in society. The order in society needs to be established and sustained to ensure the continuity of the humankind from one generation to the next forever. This can only be achieved if the resources in form of mind, body and material are



purposefully utilized and protected from generation to generation. The policy to do the same is by abundant production, proper distribution and full utilization of all the resources for social welfare so that there is no scarcity, no waste, no deprivation, no exploitation. The sustainability of these resources can be achieved by:

- 1) Proper education,
- 2) Guarding natural cycles,
- 3) Protecting the sources of resources,
- 4) Protecting the goods in transit and storage etc.

Only such practices can ensure the continuity of availability of the splendour of this life sustaining planet for the future generations. To live in accordance with these principles is to be ethical. To waste, to horde, to deprive, to destroy, is to be unethical. Unethical living leads to imbalance, exploitation, struggle and conflict/war.

A person who knows the difference between right and wrong and chooses right is moral. A person whose morality is reflected in his willingness to do the right thing – even if it is hard or dangerous – is ethical. Ethics are moral values in action. Being ethical is an imperative because morality protects life and is respectful of others – all others. It is a lifestyle that is consistent with mankind’s universal values. As warriors it is our duty to be protectors and defenders of the life value and to perform the unique and difficult mission of taking the lives of those acting immorally (against life) when necessary to protect the lives of innocent others.

Values - The basis of harmony in relationships

According to the dictionary, values are “things that have an intrinsic worth in usefulness or importance to the possessor,” or “principles, standards, or qualities considered worthwhile or desirable.” However, it is important to note that, although we may tend to think of a value as something good, virtually all values are morally relative – neutral, really – until they are qualified by asking, “How is it good?” or “Good to whom?” The “good” can sometimes be just a matter of



opinion or taste, or driven by culture, religion, habit, circumstance, or environment, etc. Again, almost all values are relative. The exception, of course, is the value of life. Life is a universal, objective value. We might take this point for granted, but we all have the life value, or we would not be alive. Life is also a dual value – we value our own life and the lives of others.

Values are intrinsic principles that govern relationships. If one lives in accordance with values in relationships then those relationships become balanced and both the related persons feel the joy in that relationship. For example if one lives with mutual respect, trust, affection, gratitude then that relationship becomes balanced and harmonized. In this one can see that Values are the basis for harmony in relationships. Valueless living is unfulfilled life full of mistakes.

Morals - The basis of harmony in community

Morals are intrinsic principles that govern community living. Morals are mainly in terms of 'earning wealth', 'marital propriety' and 'propensity towards kindness/cruelty in work-behaviour'. If one generates wealth through our own genuine efforts without cheating or stealing then it is considered righteous wealth which is considered a high moral value. Secondly, if one maintains marital propriety by being sincere, loyal & committed, then it is considered to be righteous spouse, a high moral value. Thirdly, if a person in his-her daily interactions exhibits propensity towards kindness/nurturing in work-behaviour instead of cruelty/exploitation, then that is considered high moral value. Immoral living is sin and leads to crime.

Moral values are relative values that protect life and are respectful of the dual life value of self and others. The great moral values, such as truth, freedom, charity, etc. have one thing in common. When they are functioning correctly, they are life protecting or life enhancing for all. But they are still relative values. Our relative moral values must be constantly examined to make sure that they are always performing their life-protecting mission. Even the defence core values of “honour, courage and commitment” require examination in this context. Courage can become foolish martyrdom, commitment can become irrational fanaticism, and honour can become self-righteousness, conceit, and disrespect for others. Our enemies have their own standard of honour, they have courage, and they are



surely committed. What sets us apart? Respect for the universal life value sets us apart from our enemies.

It is impossible to talk of ethics without first considering some complementary and related terms. The three terms: ethics, values, moral are easily confused. They are defined as follows:

- Ethics describes a generally accepted set of moral principles
- Values describes individual or personal standards of what is valuable or important
- Moral describes the goodness or badness or right or wrong of actions

Problems may arise where individuals allow their personal values to interfere with their actions, thereby potentially bringing their actions into conflict with stated ethical standards.

For example, a community worker may consider that it is in the best interests of their client to breach the client's confidence, leading to a breach of a set standard of confidentiality such as prescribed by a code of ethics, a code of conduct or a legal obligation. The reason for the breach may have been value-based and thereby will not satisfy proper and accepted standards for breaching confidence even though the community worker thought it acceptable or even mandatory. This highlights how our individual values can intrude into our professional lives and potentially cause us to ignore ethical obligations and duties. In other words, our values may cause us to ignore a code of ethics. This is an example of the conflict between worker's values and client's interests.

It may be possible that an organization can have policies or procedures that conflict with the rights of clients in a general way, the ethical or conduct requirements of their workers or general principles of ethical practice. For example, an organization that operates from a particular philosophical or political basis such as one that is operated by a church or local government authority may find that its institutional values do not always accord with worker or client

interests. This is the conflict between institutional values and client's interests or institutional values and worker's interests.



1.4 LEADERSHIP VALUES AND WORKPLACE ETHICS

"Enlightened leadership is spiritual if we understand spirituality not as some kind of religious dogma or ideology but as the domain of awareness where we experience values like truth, goodness, beauty, love and compassion, and also intuition, creativity, insight, and focused attention." --Deepak Chopra

One of the key points about leadership is that a leader sets the pace through expectations and example.

Setting the Pace

If you're always in a panic, jumping anytime someone says "boo" and constantly stressed out about accomplishing all of the work, your staff will experience stress as well.

One secret about work is that without meaning to, you can turn a reasonable workload into a complete nightmare of stress. Instead, as a leader, sit down and evaluate whether the pressure you are feeling is real or imagined.

Imagined pressure doesn't mean that you don't really have deadlines and clients (internal and external) that make unrealistic demands on your time.

Imagined pressure means that you impose on yourself things that aren't necessary to getting the job done. Sometimes, pressure actually goes away if you push back a little.

Setting Expectations

Do your employees know what you really expect and need from them? Do you sometimes say, "X is a priority!" and then come back later and ask why they haven't finished Y yet? Your expectations are off.

Setting expectations is actually easy if you remember to do it. Often we keep things in our heads and assume the other person will automatically know what we



need. So, instead of saying, “Can you finish up this report by the end of the day?” say, “Can you gather the sales data, put it into the same format as the report you did last week? I need to have this finalized report by 5:00 today. Does that work for you?”

A true leader works within reality, and that sometimes means changing things.

Leading by Example

Do you gossip about your co-workers, bosses, and direct reports and then discipline your employees for doing the same? It doesn't make for a good example. Best bosses always lead by example. By watching them one learns how to run a meeting, how to handle an employee's personal crisis, and how to push back against unrealistic demands. Do you want employees who get to work on time? You'd better show up on time. Do you want employees who are kind to customers? Don't talk about customers behind their backs. Do you want employees who do their work on time, with a high degree of accuracy? You'd best do the same. Sometimes bosses forget that they need to demonstrate leadership as well. A boss can sit in an office barking orders, but a leader gets in there and does the work.

Characteristics of a Successful Leadership Style

The following are the key leadership traits/characteristics:

- Secrets of Leadership Success
- Choose to lead.
- Be the person others choose to follow.
- Provide vision for the future.
- Provide inspiration.
- Make other people feel important and appreciated.
- Live your values. Behave ethically.
- Leaders set the pace through your expectations and example.
- Establish an environment of continuous improvement.
- Provide opportunities for people to grow, both personally and professionally.
- Care and act with compassion.



6 Strategies to Promote the Growth of Your Employees

One of the best things ever as a manager is when you hire a new employee who is awesome. Your new hire jumps right in and solves problems, builds relationships, thinks up new ideas. In short, you couldn't hope for a better employee.

On the other hand, one of the worst things that can happen is when you hire a new employee who is terrible. Your new hire can't handle the workload, complains about everything and drags the whole department down. This is a hiring fail.

Since most managers aren't experts at hiring, when you hit the jackpot with the perfect hire, you want to keep that person firmly in your department. When you get a bad egg, you want to force the employee out at the soonest opportunity. What tends to happen is that the bad employee sticks around forever and the good one moves on in a couple of years.

6 Strategies to Provide Opportunities for People to Grow

Fortunately, you can attack both of these problems by providing opportunities for your employees—good and bad—to grow professionally and personally. Here's how.

Don't take advantage of your hard worker. It's so tempting to just keep piling the work on Gopal because you know he'll do it and do it well. As a result, though, Gopal ends up with no time to learn new skills and improve his relationships outside of work. He's just busy doing all of the work all of the time.

Instead, carefully consider your assignments and make sure you're not accidentally punishing Gopal by giving him all of the horrible tasks just because you know he'll do them. Give him the hard tasks, yes, but not the hard tasks because they are tedious tasks, but the tasks where he'll stretch and grow.

Make it clear when you assign things that you are there to help and that you realize this is a stretch for him. Hard and capable workers thrive on this type of thing.



Don't give in to the bad worker. When you know Sita will do it without a second thought, why give the task to Rajashree? Well, because you hired her and it's your job as the boss to help her succeed. So, assign her tasks or projects and then work with her to make sure she accomplishes them. Consider that your employee does a bad job because she doesn't know how to do a good job. If you teach her, there's a good chance she'll develop and grow into a good employee.

Provide formal mentoring. Everyone needs a mentor—good and bad performers alike. Your good performer can move to the next level with the help of a good mentor. Your bad employee can get up to speed with some clear guidance.

Sometimes, you can provide formal mentoring with an assigned mentor and sometimes you can provide mentoring through a programme. Either way works, or what is best depends on your company's needs and the individual employee's personality.

Reward good performance. One of the worst things you can do with a good employee is to ignore their successes. You don't want Jane to move on to a new job because you're left high and dry, so you don't praise (publicly or privately) and you don't suggest stretch assignments.

Try to do away with that thinking. Instead, figure out how Gopal's continued success can allow you to grow as well. As he grows and develops, he can take on higher level tasks, freeing you for stretch assignments in your own career.

And what about Rajashree, the poor performer? It's extra critical that she see rewards for successes, no matter how small. When she sees what she's capable of doing well, she'll be inclined to keep trying for additional success. She'll start to grow and may become a valuable member of the team.

Don't forget personal growth. Yes, your main goal as an employer is the success of your business or department, but if your employees aren't feeling growth personally, they won't care as much about your bottom line. Make sure you allow your employees time for them - to become what and who they want to become.

A true leader makes sure his employees are progressing in their careers and in their lives. This is always a primary responsibility—right next to meeting financial goals. It's what differentiates you from an ordinary boss.



Leadership Inspiration

"Coaching isn't a great mystery. It's just hard work, determination, and inspiration at the right moment." --Bob Zuppke in *The Book of Football Wisdom* edited by Criswell Freeman, 1996.

"Leadership is based on a spiritual quality; the power to inspire, the power to inspire others to follow." --Vince Lombardi

What makes a leader inspirational? The ability to inspire people to reach great heights of performance and success is a skill that leaders need.

Passion, purpose, listening and meaning help make a leader inspirational. The ability to communicate that passion, purpose, and meaning to others helps establish the inspirational culture of your organization. These points will tell you how to enable inspiration and motivation in the people that you lead.

How Leaders Instill Inspiration in the People They Lead

- The inspirational leader feels passionate about the vision and mission of the organization. He or she is also able to share that passion in a way that enables others to feel passionate, too. Shared passion makes organizations soar in the accomplishment of their mission and vision. The nature of the vision and mission is critical for enabling others to feel as if their work has a purpose and meaning beyond the tasks they perform each day. Sometimes leaders have to help their staff connect the dots by explaining this big picture to all. Communicating the big picture regularly will help reinforce the reason your organization exists.
- The inspirational leader listens to the people in her organization. Talking to people about your passion is not enough. You must allow the ideas and thoughts of your staff to help form the vision and mission, or minimally,



the goals and action plan. No one is ever one hundred percent supportive of a direction they had no part in formulating.

- To experience inspiration, people also need to feel included. Inclusion goes beyond the listening and feedback. For real inclusion, people need to feel intimately connected to the actions and process that are leading to the accomplishment of the goals or the decision.
- Important to inspiration is the integrity of the person leading. Yes, vision and passion are important, but employees must trust you to feel inspired. They must believe in your integrity and see it played out in decisions and customer and employee treatment. They must believe in you. Your person is as important as the direction you provide. Employees look up to a person who tells the truth, tries to do the right things, lives a good, principled life and does their best.
- Finally, an inspirational leader gives people what they want within his capabilities. The inspirational leader also understands that, while money is a motivator, so are praise, recognition, rewards, a thank you and noticing an individual's contribution to a successful endeavour. Speaking directly to a contributing employee about the value that their work provides for the organization is a key source of inspiration for the recipient.
- Leaders know what they value. They also recognize the importance of ethical behavior. The best leaders exhibit both their values and their ethics in their leadership style and actions. Your leadership ethics and values should be visible because you live them in your actions every single day.
- A lack of trust is a problem in many workplaces. If leaders never identified their values in these workplaces, the mistrust is understandable.
- People don't know what they can expect. If leaders have identified and shared their values, living the values daily - visibly will create trust. To say one sentiment and to do another will damage trust - possibly forever.
- Workplace ethics take the same route. If the organization's leadership has a code of conduct and ethical expectations, they become an organization joke if the leaders fail to live up to their published code. Leaders that exhibit ethical behavior powerfully influence the actions of others.
- To really make a difference in your organization, you need to do all three. A reader wrote to support this view.



As a leader, choose the values and the ethics that are most important to you, the values and ethics that you believe in and that define your character. Then live them visibly every day at work. Living your values is one of the most powerful tools available to you to help you lead and influence others.

Don't waste your best opportunity. Leaders must lead in every aspect of selecting and living organization values.

Consciously Choose Your Organization Values

Organizations that are effective, customer-centric, and employee oriented, develop a clear, concise and shared meaning of values/beliefs, priorities, and direction within their organization.

They want every employee to understand the values, contribute to the values, and live the values. Once defined, the values should impact every aspect of your organization.

You must support and nurture this impact or identify the values will have been a waste of your time. People will feel fooled and misled unless they see the impact of the exercise within your organization - every day. See a recommended process for identifying your values.

Examples of Workplace Values

These were developed by several organizations with facilitation by their leaders.

A Human Resources Development office chose:

- Integrity
- Belonging/Caring
- Helping/Contributing
- Inner Harmony, Peace of Mind
- Personal Growth, Learning, and Self-Actualization
- Achievement /Accomplishment
- Financial Stability
- Fun

1.5 LET'S SUM UP



Values and ethics in simple words mean principle or code of conduct that govern transactions; in this case business transaction. These ethics are meant to analyze problems that come up in day to day course of business operations. Apart from this it also applies to individuals who work in organizations, their conduct and to the organizations as a whole.

We live in an era of cut throat competition and competition breeds enmity. This enmity reflects in business operations, code of conduct. Business houses with deeper pockets crush small operators and markets are monopolized. In such a scenario certain standards are required to govern how organizations go about their business operations, these standards are called ethics.

Business ethics is a wider term that includes many other sub ethics that are relevant to the respective field. For example there is marketing ethics for marketing, ethics in HR for Human resource department and the like. Business ethics in itself is a part of applied ethics; the latter takes care of ethical questions in the technical, social, legal and business ethics.

1.6 KEY TERMS

Professional Ethics, Profit Maximization, Intelligentsia, Academics, Philanthropists, Transparency, Accountability, Ethical Decision, Amalgamation, Hierarchy, Motivator, Appraisal, Increment, Professionalism, Co-workers, Time Management, Employee Safety, Ambience, Reinforcement, Humanness, Harmony, Community, Leadership, Expectations, Compassion, Strategy, Inspirational Leader.

1.7 SELF-ASSESSMENT QUESTIONS

1. What are the different types of ethical systems?
2. How can an organization improve ethical behaviour?
3. Why is there unethical behavior in the workplace?

1.8 FURTHER READINGS



1. R.S.Naagarazan (2006), Professional Ethics and Human Values, New Age International.
2. Suparna Chakraborti (2010), Values and Ethics in Business and Profession, PHI.
3. Johnson & Ridley ((2005), Elements of Ethics for Professionals, St.Martin's Press/Infoedge.
4. D.A.Bredeson & K.Goree (2007), Ethics in the Workplace, Cengage Learning.

1.9 MODEL QUESTIONS

1. What is ethical behaviour?
2. What is the first step in ethical decision-making?
3. What makes an organization ethical?
4. What is being understood by ethical dilemmas in business?
5. Good ethics is good business. Justify this statement.