

Ethics In Business And New Dimension In The Changing Business Paradigm

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Introduction

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

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

Concept Of Business Ethics

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

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

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

Now the basic question which arise is what morality is. It is often said that morality is the standards which individual or group determine about deciding what is right or wrong and good

or evil. Moral standards include the norms we have about the kind of actions we believe are normally right and wrong as well as the values we place on the kinds of objects we believe are morally good and morally bad. Moral norms can usually be expressed as general rules or statements such as 'Always tell the truth' or 'it is wrong to kill innocent people.'

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

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

To cope up with their complex coordination and control problems, the officers and managers of large corporations adopt formal bureaucratic systems of rules that link together the activities of the individual members of the organization so as to achieve certain outcomes or objectives. So long as the individual follows these rules the outcome can be achieved, the outcome can be achieved even if the individual does not know what it is and does not care about it.²⁰ Business enterprises are the primary economic institutions through which people in modern societies carry on the tasks of producing and distributing goods and services.

Scope Of The Ethics

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

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

Finally, individuals' issues in business ethics are ethical questions raised about a particular individual or particular individuals within a company. These include questions about the morality of the decisions, actions, or character of an individual. An example here could be the question whether it is moral for a leader of an organization to allow its researchers to develop a

drug that would probably not generate any profits.

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

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

Business And Ethics

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

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

Business Ethics And External Environment

The process of producing goods forces businesses to engage in exchanges and inter actions with two main external environments — the natural environment and a consumer environment. Here you will understand the ethical issues raised by these exchanges and interactions. The two

basic problems related to the natural environment are — pollution and resource depleting. Several consumer issues, including product quality and advertising are the probables related to consumer environment.

The External Environment

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

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

Economists often distinguish between what it costs a manufacturer to make a product and what the manufacturer of that product costs as a whole when a firm pollutes its environment. In any way, the firm's private costs are always less than the total social costs involved. This is a problem because when the private costs diverge from the social costs involved in its manufacture, markets no longer price commodities accurately. Consequently they no longer resources efficiently. As a result the welfare of society declines. The remedy for the external costs is to ensure that the costs of pollution are internalized - that is they are absorbed by the producer and take into account when determining the price of good. Goods will be accurately priced, market forces will provide the incentives that will encourage producers to minimize external costs and some consumers will no longer end up paying more than others for the same commodities.

Business Ethics And Internal Environment

The Internal Environment

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

forms of discrimination. Experiences suggest that sexual discrimination and racial discrimination are alive and they do create flutters in the society.

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

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

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

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

In the course of performing a job an employee may discover that a corporation is doing something that he or she believes is injurious to society. Indeed, individuals inside a corporation are usually the first to learn that the corporation is marketing unsafe products, polluting the environment, suppressing health information or violating the law. Employees with a sense of moral responsibility who find their company is injuring society in some way will normally feel an obligation to get the company to stop its harmful activities and consequently will often bring the

matter to the attention of their superiors. Unfortunately if the internal management of the company refuses to do anything about the matter, the employee today has few other legal options available. In the absence of legal protections of the employee's right to freedom of conscience the practice of whistle blowing is discussed and debated.

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

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

The Changing Business Paradigm And Ethical Dilemmas

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

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

Another set of dilemmas is created since corporations operate plants in several countries, it can sometimes transfer raw materials, goods and capital among its plants in different countries at terms that enable it to escape taxes and fiscal obligations that companies limited to a single

nation must bear. Yet another group of dilemmas is faced by multinationals-because they operate in several countries they often have the opportunity to transfer a new technology or set of products from a developed country into nations that are less developed. The multinational wants to carry out the transfer of course because it perceives an opportunity for profit and the host country wants and allows the transfer because it perceives these technologies and products as key to its own development. However, the transfer of technologies and products into a developing country can create risks when the country is not ready to assimilate them.

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

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

"Oskosh corporation is honoured to be recognized as one of the world's most ethical companies "said Oskosh corporation president and CEO. Wilson R.Jones "our employees around the world are the ones who have made this possible with ethical business practices and a commitment to our core value of citizenship, honesty, accountability, integrity and respect. At Oshkosh doing the right way isn't just part of our culture, it is the only way we do business."

L'Oral' has devoted itself to beauty for over 105 years. With its unique portfolio of 28 international diverse and complementary brands. The group generated sale amounting to 23 billion euros in 2013 and employs 77500 people worldwide. As the world's leading beauty company. L'Oreal is present across all distribution networks, mass market, department stores, Pharmacies and drugstores, travel retail and branded retail. Research and innovation and a dedicated research team of 4000 people are, at the core of L'Oreal's strategy working to meet beauty aspirations all over the world and attract one million new consumer in the years to come L'Oreal's new sustainability commitment for 2020" sharing beauty with all" sets out ambitious sustainable development objective across the group's value chain in 2014, the etisphere institute, a leading international think-tank for business ethics, corporate social responsibility and sustainability, recognized L'Oreal as one of the world's most ethical companies. This is the

Conclusion

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

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

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

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

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

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

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