

SEMESTER – I

BA18116

BUSINESS ETHICS

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Objective(s):

1. Explain the Basic concept of Business ethics
2. Explain the Various theories of business and Personnel Ethics
3. Describe the various concept related to professional ethics and Corporate responsibility towards society
4. Discuss the need of ethics in various functional areas
5. Explain the different issues of Technology and managing privacy issues ethics

UNIT - I BUSINESS ETHICS – INTRODUCTION

[09 Hrs]

Meaning, Definition, Scope, Needs, Types – Characteristics - Myths – Source of Business Ethics - Factors affecting Business Ethics – Importance of Business Ethics - Evolution of Business Ethics & Future of Business Ethics – Cases in foundations of Business Ethics.

UNIT - II THEORIES OF BUSINESS ETHICS AND ETHICAL DECISION MAKING

[09 Hrs]

Theories of Business Ethics – Ethical Decision making: Needs, Process and Challenges – Ethics and Law - Personal ethics: emotional honesty, Humility - Employee Rights, Health – Safety – Trust & Loyalty in workplace – Cases in Ethical Decision Making.

UNIT – III PROFESSIONAL ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

[09 Hrs]

Professional Ethics – Ethical problems – Skills required for managers – Ethical Leadership: Five dimension, Model, Type, Strategies & Powers of Leaders – Certificates: ISO Certificate -CSR: Introduction, Dimensions, Areas of social responsibility – Cases in CSR.

UNIT - IV BUSINESS ETHICS IN FUNCTIONAL AREAS

[09 Hrs]

Functional Areas: marketing – consumerism - advertising ethics – HRM: Introduction, Unethical practices, Reward system, Performance appraisal – Ethical issues in production - Labours Working Conditions - Ethical Aspects of Financial Management – Cases in functional Areas.

UNIT - V TECHNOLOGY ETHICS

[09 Hrs]

Technology Ethics: Introduction, Ethical Issues in Production, Working conditions in Production, ethical Aspects in Supply Chain Management, Creativity and Innovation. - Ethical Issues: Ethical issues in Transport, Patents and ethical issues, Media Ethics, Computer, Internet and managing privacy Issues..

Total (L: 45 T: 0) = 45 Periods

Course Outcomes: On the completion of the course students can able to

1. Understand the basic concepts of business ethics
2. Summarize the various theories of business and Personnel Ethics
3. Understand various concepts related to professional ethics and corporate responsibility towards society.
4. Understand the need of ethics in various functional areas.
5. Acquire the different issues of Technology and managing privacy issues ethics

Reference Books :

1. S. Prabakaran, "Business Ethics and Corporate Governance" Excel books, Third Edition, 2015.
2. Joseph DesJARDINS "An Introduction to Business Ethics", Tata McGraw Hill Education (P) Ltd. – 5th Edition 2015.
3. William H.Shaw "Business Ethics", Cengage Learning – 9th Edition, 2015.
4. Manual G.Velasquez "Business Ethics: Pearson New International Edition: Concepts & Cases", Person Education – 8th Edition, 2017

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DEPARTMENT OF BUSINESS ADMINISTRATION (MBA)

NAME : Mr. S. VINOTHKUMAR
CLASS : I MBA
SUBJECT : BA18116 - BUSINESS ETHICS

Unit-I
2 MARKS

1. Define Business Ethics.

Ethics is a system of moral principles, rules and conduct. As a science of moral principles, ethics gives guidelines such as “What is right?” and “what is wrong?”

2. Distinguish between ethics and business ethics.

Business ethics is simply applying the basic principles of ethics to the field of business which is the major area of making profit. Business ethics demonstrates that profit can be made on a sustainable basis by following certain norms and respecting others.

3. What are the three principles of business ethics?

- i) All the rules should be allocable to all standardization
- ii) Rules of business ethics should be practical and workable so that tangible benefits can be experienced
- iii) Business ethics should be always driven from the top. Business ethics can work only if the top management.

4. How are religion and ethics related?

Religion provides guidelines for people on the various aspects of life. It gives primary importance to God and provides people a spiritual path for the success and happiness. Religion stresses what our life ought to be. It lays down the various steps like prayers, meditation and rituals to be performed. Religion underlines the concept of human values and inner growth. It provides guidelines to have a positive attitude towards life. It advocates spiritual growth and will-power. It advocates good practice in all the aspects of life including business. In short, it advocates “Be good, see good and do good” type of practice. Being good brings a lot of mental and spiritual satisfaction.

5. Discuss the relation between morals and ethics.

Morals deal with the right behavior of individuals. Ethics deals with right character in a given situation. Both are closely related to each other. Some of the basic morals like helping others, treating all equally and not cheating others are converted in terms of good business practices.

6. What are consumer rights?

Following are the rights to the consumers:

- Right for safe products
- Right to information
- Right to be heard
- Right to choose
- Right to be educated on purchases
- Right to a courteous service.

7. Why would you consider the study of ethics important for today's business practice?

The study of business ethics – also the subject of this book – involves understanding the system of moral standards and their applications in the conduct of ‘business processes’ through which modern society produces and distributes goods and services in a society and country. As ‘business process’ are conducted

through a set of organization, system and people who are working for it, the study of business ethics applies to these systems and entities within the business organization.

8. Define morality & Moral standards

Morality and morality of actions are the yardsticks of ethics. Hence, the study of ethics is integrally related to the study of morality. But, it should be appreciated that although ethics deal with morality, they are not the same as morality, i.e., morality is not the whole of ethics. The study of ethics is involved with investigating and knowing if the outcome of an action has been morally right. Thus, 'morality' is the subject matter that ethics investigates through a process of moral reasoning.

The word 'standard' means that the view about what is 'right and wrong', etc. can be compared to an established norm, i.e., acceptable or unacceptable to the society. Moral standards include those norms that we believe are morally right or wrong as well as the value we place on subject matters that are morally good or bad.

9. Write the internal & external stake holder of business.

The internal stake holders of a business are its employees, suppliers, shareholders and other investors, and the external stakeholders are the customers, society, government, locality and environment.

10. Describe the scope of ethics in business.

Business ethics are concerned with the morality of actions in business operations, and deal with (1) rightful expectations of consumers, society, employees and other stakeholders. (2) Fairness in competition and advertising of goods and services (3) social responsibility and care, and (4) overall corporate behavior in governance. The ultimate aim of business ethics is to protect people, society and all direct and indirect stakeholders from damages.

12 MARKS

1. Define the types of ethics.
2. Examine the characteristics of business ethics.
3. Describe the sources of business ethics.
4. Examine the factors influencing business ethics.
5. Analyse the nature and scope of business ethics. Discuss the importance of business ethics in modern times.

Unit-II

2 MARKS

1. How can business ethics improve employee commitment?

The performance of the employees is bound to improve under ethical conditions because of the positive environment, a trustworthy atmosphere increases efficiency and enterprise. According to national Business Ethics Survey (U.S.A), when employees see good values like honesty, respect and trust in workplace, they will not compromise in work. The ethical climate is bound to increase the efficiency of work.

2. How can ethical practices promote higher profits?

Comprehensive ethical practices provide a good scope for increasing profits, Johnson and Johnson, Xerox, MTR (Bangalore) and TVS are a few examples to prove that good practices pave the way for more profits. Many studies have proved that a history of good ethics can bring a history of good business. The mere pursuit of profit cannot be the strategy in the long-run.

3. Define corporate social responsibility.

Business has realized a number of advantages from the society through customers, suppliers and employees. Corporate social responsibility emphasizes the obligation and accountability to society.

4. Define issues management.

Business ethics deals with different issues connected with day-to-day administration and policy formulation. An issue is a matter that is in dispute between the two parties.

5. What is crisis management?

A crisis is a major, unpredictable event that has potentially negative results that can significantly damage an organization. There are many crises like natural, economic, informational, reputational and human resource related. There are three important stages in managing a business crisis, namely, identification of the crisis, isolation of the crisis and managing the crisis.

6. Define teleology.

The word teleological is derived from the Greek word TELOS which means an end. A great deal is depending on what is good and what is bad. Teleological theories give importance to the end and not bothered about the means. Pleasure is considered as ultimate good and not concerned with the means.

7. Define deontology.

The word deontology has derived from the Greek word DEON which means duty. Deontological theories give equal importance to the means as to the end. It emphasizes duty as the basis of moral values. Getting corrupted for discharging our duties is also against the principle of deontology.

8. What are the rules of Ross?

The British philosopher, E.D. Ross, introduced a system consisting of seven rules. These rules are based on deontological theory:

1. The promises made have to be kept up and truth should always be spoken.
2. Duties of reparation should be made to compensate people for injuries.
3. Duties of gratitude to return the favours done by others to us should be performed.
4. Distributive justice should prevail under all circumstances.
5. Duties of beneficence have to be performed in order to improve the conditions of others.
6. In order to be more ethical, virtue and intelligence have to be improved.
7. There should be avoidance of injury to others.

9. State the ideas of Confucius.

The famous Chinese philosopher, Confucius, has given a deontological approach through the following ideas:

1. What we do not wish to ourselves, we should not do to others.
2. We should not wish for quick results and small advantages. The ultimate goal is more important than the quick results.
3. We have to learn good things from others and examine our own flaws in our character.
4. Wealth and rank should be obtained in a proper way.
5. One can be kind to everyone but intimate with only those who are virtuous.

10. Describe the virtue ethics of Aristotle.

Aristotle is a pioneer of virtue ethics. As the architect of virtue ethics, Aristotle strongly advocated the good qualities of virtue ethics such as comfortable nature, timeless and universal application. Aristotle has suggested moral virtues such as courage, self-control, generosity, high-mindedness, gentleness, friendliness, truthfulness and modesty. All these qualities are essential for a good manager with a human face. Those qualities can enable a manager to perform his job effectively and enthusiastically. These moral qualities help the manager to get effective team and achieve the desired goals.

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12. Discuss the ideas of Machiavelli.

Machiavelli was the defence minister of Italy. He wrote a famous book called "Prince". He mentioned common virtues like moderation, clemency, charity, gentleness, vigour and devotion. He also felt the

man of virtues cannot be found in the real world. He has admitted the [possibility of a manipulative and unethical leadership style. In the modern age, a leader has to energetic, bold and shrewd.

13. Summarise the idea of Robert Solomon.

This is a deontological theory justifying the means to reach the ends. Robert Solomon puts two questions to business men:

Does ethics in business lead to profits?

Is good ethics good for business?

Even in cut-throat competition, ethical ideas can be practiced. It is not the question of preaching ethics but practicing ethics.

Ethics is a way of life. Ethics is the art of mutually agreeable tentative compromise. Ethics should not be super-imposed on business. A good business should be defined by ethics and practices by ethical standards.

Society at each stage should re-examine ideas about business. It is hypocrisy to believe that business is a tough-minded amoral struggle for survival and profits rather than an established ethical enterprise.

This theory concluded that nothing is more ethical than good business.

14. Define perception.

Perception is a process by which individuals interpret their sensory impression and find a meaning to the environment.

15. What is halo effect?

This refers to the general impression from one single characteristic feature. For example, one may get a general feeling that a candidate coming from a rural background may not be efficient.

16. What is self serving bias?

One may be biased in such a way that he or she may believe that may success in due to his or her efforts and any failure is because of others.

17. Define beneficence.

Doing what is best in a given situation. Prompt reporting to duty and using the working time for the productivity of the organization.

18. Define Nonmaleficence.

Nonmaleficence: avoiding harm by deciding not to spread gossip.

19. Define Heuristics.

Heuristics refers to short-cuts in decision-making. Based on the information available, decisions are taken into account. Some other times analogies are drawn and decisions are taken. We have to find similar situations and similar cases. It should be noted that heuristics is not the effective method of ethical decision-making.

20. Define utilitarianism.

Seeking the greatest good for the greatest number.

21. Distinguish between ethical absolutism, ethical relativism and ethical neutrality.

Ethical absolutism implying an absolute adherence to the ethical norms. Though it looks simple, it is difficult to follow this in practices.

Ethical absolutism advocates strict, uncompromising and absolute adherence to a moral stand without any deviation for any purpose.

Ethical relativism In terms of which the principle of maximum good for the number has to be achieved.

In between those two extremes, there is a case of **ethical neutrality**. In this case, decisions are made without ethical concerns at all. This is a type of decision-making without ethical consideration.

12 MARKS

1. Trace the history of development of business ethics in modern times.
2. Examine the arguments for and against business ethics.
3. Compare teleological and deontological approaches in business ethics.

4. Examine the ideas of Karl Marx and Sun Tzu.
5. Examine the Immanuel Kant's theory of categorical imperative.
6. Critically examine Kohlberg's model of moral development.
7. Describe the need for ethics in framing business decisions.
8. Discuss the positive and negative factors influencing perception.
9. Examine the various steps in ethical decision making.
10. Suggest suitable guidelines to moral decision making.
11. Discuss the constraints in ethical decision making.
12. How to integrate ethical decision making into the firm?
13. Discuss the relationship between ethics and levels of risk.
14. Discuss the various qualities necessary for promotion of personal ethics in modern times with reference to a manager.
15. Compare Kant's theory with Mill's approach.

Unit-III
2 MARKS

1. Define corporate social responsibility.

Business has realized a number of advantages from the society through public around the business, customers, suppliers and employees. Corporate social responsibility emphasizes the obligation and accountability to society.

2. Distinguish between moral, immoral and amoral leadership.

Moral Management: it is managed with high standards of ethical behavior. Fair prices, fair wages and regular payment of taxes are some features of moral management. The businessman following moral standards is aware of the fact that good moral practices help all the stakeholders. In the long-run, moral management promotes good business.

Immoral Management: this style is devoid of ethical principles and opposition to ethical principles. Unfair prices, exploitation of workers, poor quality of products and absence of customer services are the unfortunate features of this form of immoral management, the immoral style of management may bring some benefits in the short-run. But in a world of exposure and information, all the stakeholders will oppose immoral standards of management.

Amoral Management: the management is causal or careless about ethical consideration and is only interested in making profit. For example, a food manufacturer is not bothered about the health of the consumers, but goes on manufacturing the type of good that brings profit to him. In amoral management, the management is neither moral nor immoral in its decisions and activities. There is lack of ethical perception and moral awareness.

3. What are the reasons for managers behaving ethically?

Why do managers behave ethically?

1. To avoid punishment
2. To save their jobs and receive some reward
3. To be responsible to family, friends and society
4. To be treated as a good citizen

To do what is right and ethical

4. Define ethical gap analysis.

The gap between society's expectations and actual business ethics operated in a firm is called ethical gap. The growth of awareness, role of media and the spread of education are the important factors contributing to the ever increasing expectation of the consumers. Though the level of business ethics is higher, there is no matching growth between the society's expectations and business ethics practices of the business.

5. What are affirmative action programmes?

Efforts to recruit, hire, train and promote qualified individuals from groups who had been ignored based on race or gender or colour are called affirmative action programmes.

6. Explain the three types of justice.

Distributive Justice: Equity in rewards is the crux of distributive justice. The benefits derived from business should be relatively distributed in terms of the contribution, risk and efforts to all.

Procedural justice: The decision-making processes and activities should be done in a justifiable manner.

Interactional justice: The interaction or communication between individuals and groups should be based on truth, accuracy, respect and courtesy.

7. What is moral reasoning?

Moral reasoning refers to the reasoning process by which human behavior, institutions and policies are judged in accordance with the moral standards. Adhering to the moral standards is appreciated and the violation of moral standards is criticized.

There are two components of moral reasoning, namely, an understanding of moral standards and the application of these moral standards.

8. Define corporate citizenship.

It is used to express the extent to which business strategically meets the legal, economic, ethical and social responsibilities placed on business by various stakeholders. It is corporate voluntarism to meet the social responsibilities. It involves the firm's commitment to the corporate citizenship and implementing citizenship initiatives.

9. What is professional ethics?

A professional is one who has a thorough knowledge of a particular area of operation. He should have a thorough knowledge and practical skills. He should be able to implement certain tasks with care, confidence and upright conduct. A good professional should have innovative thinking, a passion for ethical accuracy and practical vision. Ethical practices have to be followed in the execution of professional skills and services. A professional should be humble and humane without any professional arrogance.

10. What is value based leadership?

Value-based Leadership

This type of leadership is bridging the gap between ethics, values and leadership. Values are taken as the basis of leadership. Right type of values like honesty, hard work and trust should be taken as tools of achieving the desired results. The means should justify the ends.

11. Explain the objectives of leadership.

John William Gardner in his book on leadership (1990, New York: Free press) states that an ethical leader should have the following minimum objectives:

1. Realizing the human potentials.
2. Balancing the individual needs with the organizational needs.
3. Defending the fundamental values of the organization.
4. Installing a sense of initiative and responsibility in individuals.

The vision of the leader should be use sound moral values. Leadership should be linked to collective purpose. The collective purpose should be positive, promotive and progressive.

12. Define corporate citizen.

Corporate citizenship refers to the extent to which a business strategically meets the economic, legal, ethical and philanthropic responsibilities placed on business by different stakeholders.

It refers to the commitment of a business by implementing the various initiatives to achieve the satisfaction of all the stakeholders.

Corporate citizens believe in creating economic value for shareholders. They respond to changes through innovation and design. Corporate citizens and respect the environment. Excellent quality of goods and services are delivered in an entrepreneurial way through sound principles.

A good corporate citizen also makes good business sense.

12 MARKS

1. Distinguish between values, norms and beliefs.
2. What are the qualities of a professional manager?
3. What are the tasks of ethical leadership?
4. What are the arguments for social responsibility?
5. Describe the arguments against social responsibility of business.
6. Describe the method to identify the areas of corporate social responsibility.
7. Examine the reasons for the fall in values in recent times.
8. Discuss the importance of affirmation action programmes.
9. How far can the teaching of business ethics as a subject improve the business standards in modern times?
10. What is privacy? Discuss the privacy issues of consumers and employees
11. Discuss the roles of ethical management for a professional manager in modern times.
12. Examine the professional ethics of a financial executive or a computer professional.
13. Distinguish transactional leaders from transformational leaders. Suggest strategies of ethical leaders to make ethics and profits work together.
14. Examine the important functions and challenges of ethical leadership.
15. Examine the case for CSR in developing economics like india. Point out the difficulties i n its implementation.
16. Discuss how for the strategy of CSR can also act as an ethical strategy in business.
17. Examine the working of CSR initiatives of a few public sector units.

Unit-IV

2 MARKS

1. Define marketing.

“Marketing is a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others”.

2. Describe the features of present market scenario in India.

The following are the features of the present market scenario in India:

1. A large number of multinational corporations have been operating in India.
2. India's economy has entered globalization.
3. The IT sector hs emerged as powerful but in recent times is experiencing a slow down.
4. There is an influx of cheap Chinese goods in a big way.
5. The buying power of urban people has increased. There is also erergence of rural marketing with greater demand, different goods and services.
6. Terrorism has affected the normal life of people in many cities as as=Iso tourism and recreation.

3. What is consumerism?

Consumerism refers to social activism of protecting the rights of consumers in their dealings with business.

4. What re the basic rights of consumers?

Basic rights of consumers:

1. Right for safe products
2. Right to be informed about the products
3. Right to be heard
4. Right to choose
5. Right to be educated about purchases
6. Right for a courteous service.

5. Describe how the consumers are exploited

Ways of consumer exploitation

1. Fixing a higher price.
2. False discounts and false sales.
3. Sub-standard quality
4. False product differentiation of goods and services.
5. Sale of goods that are injurious to health, life and property.
6. Suppression of information about the quality, standard and performance of the product.
7. Reduction of competition through collusion with other traders.
8. False and misleading advertisements.
9. Supply of adulterated goods.
10. Not honouring guarantees and warranties.
11. Use of false weights and measures.
12. Making a misleading representation about the need of a product or service.
13. Creating artificial shortage of goods in order to increase prices.
14. Not redressing the grievances of the consumers .

6. What are the ethical practices in marketing research?

Marketing research

The following are the important ethical practices in marketing research.

1. There should be no misrepresentation of research results.
2. While interviewing children, special care should be taken into account.
3. The informants should clearly understand the meaning of each and every question in a questionnaire.
4. The client confidentiality has to be maintained.
5. Marketing research should be used only for the purpose of doing research related to marketing. It should not be used as a means of developing sales or promotions.
6. Marketing research should secure the co-operation of the informants for the interview.
7. It should provide the name of the research agency conducting the study.
8. It should prevent under stress on informants.

7. What are the unethical practices committed in e-commerce?

PROBLEMS OF e-COMMERCE

Electronic commerce is a modern method addressed to the needs of organisations and consumers. It helps in cutting the cost and increase the speed of service.

Boeing Airplane Company launched an e-commerce site in 1996 on World Wide Web and it helps the global customers. It has warned its suppliers that they must develop the ability to conduct business through e-commerce or will not be considered for business by Boeing.

Some of the unethical practices in e-commerce are listed below:

1. There are serious discrepancies and even frauds in electronic funds transfer.
2. There are frauds in electronic cheques.
3. There are three major risks involved in the electronic payment systems, namely, fraud and mistakes, privacy issue and credit risk.
4. Some of the laws of the land are violated as e-commerce takes place between many countries of the world.
5. Since the market is not well-defined, the buyers do not have the feel of the product or service.

8. What is consumer privacy?

Consumer privacy is a modern concern for marketing. The collection, manipulation and dissemination of personal information have enabled mass invasions of consumer privacy. The loss of privacy is considered an offence. In fact, client confidentiality is as important as national security.

There are two basic types of privacy, psychological and plans, personal beliefs, values and feelings. Physical privacy includes the physical; activities of the individual.

1. What is exploitation?

Exploitation of employees in any form is highly unethical. Low wages, poor working conditions, difficult targets, pressures and heavy schedules are the different forms of exploitation of employees. Exploitation is inhuman and ultimately affects the labour force of the economy.

10. Define reward system.

REWARD SYSTEMS

Reward systems play an important influence on the behaviour of the people at work. According to reinforcement theory, people are likely to behave in the way they are rewarded.

Employees in business organisations are constantly on the lookout of information about rewards and punishments. People perform according to the reward. The rewards have to be explicit. The organisations should set an ethical Pygmalion effect. In terms of ethical Pygmalion effect, the expectations for ethical behaviour are to be set high and people are expected to achieve high standards.

There is an extension of reinforcement theory called social learning theory. In terms of social learning theory, people learn from observing the rewards and punishment of others. The workers are constantly on lookout for information about rewards as well as punishments. If the workers see that others get away with unethical practices like lying, cheating or stealing, they also try to follow these behaviour patterns. Ethical behaviour is rewarded in the long-run.

11. What are cash and incentive plans?

CASH AND INCENTIVE PLANS

Employees should be given fair wages related to standard of living. If fair wages are not provided, ethical practices may not prevail. The employees will take the undue advantage of poor compensation to indulge in poor work, absenteeism and other unethical practices. For equal work, there should be equal pay. Inequalities in wages are not justified for the same type of job.

Ethics requires incentives for better performance and higher qualifications. In any pay system, there should be fairness or equity. The term equity has the following three dimensions:

1. Internal equity, which ensures that more difficult jobs are paid more.
2. External equity ensures that jobs are fairly compensated in accordance with the conditions in the labour market.
3. Individual equity, which ensures equal pay for equal work.

Incentives and rewards are a key component in any performance management system. The new forms of motivating employees are coming up. In the present environment characterised by globalisation, privatization and liberalization, the traditional incentive schemes are not suitable. Some of the non-monetary incentives are gift vouchers, citation, quality award, R&D Award, Good Health Award, Long Service Award and Creativity award.

12. What is performance appraisal?

PERFORMANCE APPRAISAL

Performance appraisal is a method of evaluating the behaviour of employees with regard to the various aspects of job performance.

Performance appraisal involves three steps namely, setting work standards, assessing employee's actual performance and offering feedback to the employees.

It has to be carried out periodically with a definite plan. Performance appraisal forces the managers to become coaches rather than judges. It is an opportunity to identify issues or discussion, eliminate problems and set new goals for achieving risk performance.

13. What are unethical practices in performance appraisal?

Unethical practices in performance appraisal

1. There are many judgment errors like bias based rating. Halo effects may influence the evaluation. The Halo effect occurs when one aspect of an employee's performance like few absences make the supervisor to believe that he is not good in his work.
2. The leniency error can affect the performance appraisal system itself as ineffective because of the mental make-up at the time of appraisal.
3. Sometimes the rater may give greater weightage to recent effects than the earlier efforts.
4. The manager may lack appraisal skills.

WHISTLE-BLOWING

14. What is whistle blowing? Suggest the components of a whistle blowing policy.

Whistle-blowing is an attempt by a present or former member of an organization to disclose the wrong acts in an organization. It is the release of information by a member of the organization regarding the illegal or corrupt conduct in the organization.

components of a whistle-blowing policy

1. The employees should understand that they have a responsibility to report about the unethical practices through internal channels.
2. A well-defined procedure has to be established allowing employees to report in confidential manner. A few companies use an 'ethics hot line' allowing the employee to do whistle-blowing by calling a number.
3. The success of a whistle-blowing policy depends on the ability of the people who receive and investigate the reports from employees. Apart from maintaining confidence, a thorough investigation has to be undertaken.
4. An appropriate action has to be undertaken for the unethical acts and should be informed to the reporting employees.
5. Above all, a guarantee should be provided against retaliation.

15. What are the ethical issues in production?

ETHICAL ISSUES IN PRODUCTION

1. The selection of location should be fair and suitable to all agencies of production. The major cities are overcrowded causing a lot of inconvenience to all.
2. Production is creating a lot of pollution in different forms. Hence, the industries have to be decentralised.
3. Because of employment, people migrate from rural areas to urban areas. Apart from villages becoming deserted, the urban areas are flooded with slums and bad conditions of living.
4. There are two methods of production, namely, capital-intensive method and labour-intensive method. If we resort to capital-intensive method only, there will be more and more of unemployment. An ideal solution will be the combination of both these methods, capital intensive for capital goods and labour-intensive for consumer goods production. No production plan should affect traditional and rural industries.
5. There should be a thorough and periodical check-up of the safety and security of plant and machinery. There should be no compromise on matters related to safety. Many industrial accidents take place because of the neglect of safety and proper maintenance.
6. The quality aspects and customer care have to be taken seriously and sincerely.
7. Industrial espionage refers to stealing of business plans, industrial secrets, technical details and patents. Some companies follow unfair methods like bribing for getting the business secrets of other competitive companies. Industrial espionage has to be avoided at any cost.

16. Define ethical aspects of supply chain management.

The supply chain management has an impact on different important aspects such as finance, quality, production, timely supply, cost and customer care.

The India Institute of Materials Management (IIMM) has given the following ethical guidelines:

1. In dealing with all transactions, the interest of the organisation has to be taken into account.
2. Maximum benefit for each rupee of expenditure has to be realised.
3. There should be honesty and truth in all transactions connected with buying and selling.
4. Prompt action should be taken in case of any complaint or enquiry from the customers.
5. There should always be courtesy and care in all dealings with the customers, suppliers and other stakeholders.

17. Suggest ethical guidelines in purchase.

ETHICAL GUIDELINES IN PURCHASE

- 1 The trade enquiries should be simple and easy to understand by the suppliers.
2. The drafts should be written without bias.
3. Prompt payment after the delivery should be the practice.
4. The confidential matters of the company should not be revealed to the suppliers directly or indirectly.
5. There should be no place for indulging in any corruption such as commission or goods or any other service.
6. All the vendors should be equally treated so that there can be no discrimination in purchase.
7. Quality tests should not be fabricated.
8. Commitment to the organisational values should be the main objective and action of all the employees of purchase department.

18. Describe the ethical issues of patents.

Though patents are promoting new inventions, some of these products may be bad to the health or efficiency of people.

Ethics is concerned with what is considered as right or wrong by a society at a given point of time. Ethical norms are bound to change from place to place and time to time. Many times, activities claimed in a patent may be unethical or problematic with regard to the ethical standards. Therefore, the patent system cannot be the primary tool to deal with the ethical considerations. Patents are not granted for the process of cloning of human beings.

19. Define hacking.

Hacking: Hacking refers to the use of computers for illegal actions, especially gaining unauthorised access to computer systems. It also includes stealing and sharing proprietary software. Hacker and hacking are now used to refer to those who gain unauthorised access and perform other disruptive feats. Hacking undermines the security and integrity of the Internet.

The people who use the internet want a system which is reliable, trouble-free privacy and integrity. In short, hacking is an unethical act that cannot be justified.

20 . What is flame?

Flame: A flame is an inflammatory or insulting message sent via e-mail. Many individuals are unhappy because of these flames.

21. What is spam?

Spam: The unsolicited bulk e-mail is Called spam. It is equivalent of junk mail. It is annoying and disruptive.

22. What are the virus attacks?

Computer viruses infest the host programmes by overwriting or modifying the host programme. A popular virus, Trojan Horses, makes a person feel that he is using a legitimate programme but a certain code causes the damage.

Boot sector viruses replace or infect the original programme. This virus gets into RAM and infects every disk accessed in the computer. File viruses infect by attaching themselves to the executable files. Computer technology offers a bright future but some threats are also posed. Like other technologies, computer technology needs human vigilance and ethical practices.

23. Describe security threats.

The following are the specific threats to the information systems.

1. Loss or theft or corruption of data
2. Inappropriate use of data
3. Theft of equipment or programmes
4. Errors in handling, entering processing, transferring and programming of data.
5. Malfunction of equipment
6. Accidental or malicious damage to computer resources
7. Destruction by viruses

24. What are the objectives of financial management?

1. **Profit maximization:** Trying to get the best profit is the concern of any investment.
2. **Wealth creation:** Investment made in terms of money should create wealth through the production of goods and services.
3. **Utilization of financial resources:** the existing financial resources have to be utilized to a great extent.
4. **Payment of interest and dividends:** there should be the timely and prompt payment of interest and dividends to the investors. A delayed payment is often considered as a denied payment.

25. What is insider trading?

Insider trading is the using of inside information to make a personal gain. A public issuer or employee of a company is an insider.

The insider information is related to a public issue. It is not available in public. Insider trading accounts for 10 percent of cases in the U.S. Enron, Global Crossing and Imclone, Systems Inc, are some of the examples. In the case of Imclone Systems Inc, the U.S. Government rejected some drugs. Its C.E.O. Samuel Waksal sold the shares after knowing of the bad news. Others were late to know this news of the government rejecting some drugs of Imclone Systems Inc.

26. Define churning.

Churning

It is excessive or inappropriate trading for a clients account by a broker. Since the broker is interested in commission, he practices churning. It is an unethical practice in financial markets.

27. What are the causes for money laundering?

Money laundering in India

The following are the important causes for money laundering in India.

1. A reasonable amount of political and economic stability.
2. Existence of major financial centers with access to banking facilities, communications and financial markets.
3. Lack of regulatory controls against money laundering. Presence of cash economy.

28. Define globalization.

Globalisation is a new paradigm of fresh beliefs, new working methods and understanding socio-cultural realities. Globalization has become the order of the day and no country can escape globalization. Profit motive, the concept of global village, over production, availability of natural resources and labour, growth of technology, improvement of management skills, cost reduction, better research and development and worldwide employment are the causes of globalization.

29. What are the conditions of globalization?

Conditions of globalization:

1. There should be a reasonable amount of business freedom.
2. Adequate amount of facilities like infrastructure and information to be available.
3. The active support of the government is essential for the progress of globalization. That is why, many countries have become members of W.T.O.

4. The flow of material, financial and human resources is necessary for the sustained development of globalization.

5. The spirit of competition is the basis of globalization. The economics should have a global-orientation.

30. Define ethical training.

Ethical training is provided in most advanced economies but not much in developing economies. Since globalization, ethical training programmes have become popular in developing countries too.

A good ethical training programme can educate all the employees about the policies and expectations of the company.

The employees can also become aware of available resources and persons who can help them with ethical and legal advice. Employees can evaluate the impact of ethical decisions on the company.

The basics of ethics, the procedure for airing ethical concerns and priorities of ethics have to be taught to the employees. Managers from every department must be involved in the ethical training programme. The ethics programme should differentiate between personal and organizational ethics. Discussions should be conducted by inviting personal opinions about what should or should not be done in any particular situation.

31. Define code of conduct.

Code of conduct

A code of conduct is a statement that describes what an organization is expecting from its employees. It suggests acceptable or unacceptable types of behavior.

The code of conduct should be developed by the president, board of directors and the chief executive officer. It is suggested that the code of ethics should include trustworthiness, respect, responsibility, fairness, caring and citizenship.

Many companies have a code of conduct but not implemented effectively. All employees should be informed about the code of conduct.

32. What are the principles in the development and implementation of code of ethics?

Development and implementation of code of ethics

1. The values have to be identified.

2. The ethical values have to be linked to the organization.

3. The codes of conduct have to be explained with examples which reflect values.

4. The code of conduct should be communicated to the employees in a language or style that they can easily understand.

5. The code of conduct can be revised periodically by taking into account the changes around the business world.

33. What is an ethics audit?

Ethics audit

An ethics audit is a systematic evaluation of the ethical programme of an organisation. It is undertaken to determine the effectiveness of ethical programmes. It also examines the effectiveness of social responsibility initiatives undertaken by the organisation. Ethical auditing measures the ethical commitment to stakeholders. It improves the ethical commitment to stakeholders like employees, customers, investors' suppliers and social activists. Ethics auditing is similar to financial auditing and has to be conducted by an expert from outside the organisation. In financial auditing, the focus is on money flow whereas in ethics auditing, the focus is on the ethical performance of the organisation. Ethics auditing is a voluntary process.

Ethics auditing improves the organisational climate and strategy. There is an improved relationship with the stakeholders. Companies can plan for crisis management based on the ethical performance. An ethics audit can identify the employees who are violating the ethical standards of the company. The reports of

ethics audit should be made known to all. The defect has to be rectified and rewards to be given for the best ethical practices. Organisations should make continuous efforts to improve the ethical standards.

34. What is promotional Role of advertising?

Promotional role of advertising

1. Advertising provides information about products, services and places. This information can promote more and more of opportunities for growth.
2. Advertising encourages a higher standard of living by providing a lot of information about new products and services. The consumers make new decisions to increase their standard of living.
3. Advertising as an industry creates a lot of employment opportunities to many people.
4. Advertising generates more and more of thinking and imagination.
5. Advertising also promotes severe competition between two similar products. The advertisement efforts of Coke and Pepsi are good examples.

12 MARKS

1. Discuss the unethical aspects of advertising.
2. Suggest the good working condition for promotion of labour welfare.
3. Examine the unethical practices in marketing and suggest suitable measures to introduce ethical practice in marketing in india.
4. What is promotional of advertising? Describe the unethical practices in marketing. Examine the ethical issues of advertisement.
5. Suggest the ethics-based HR policy.
6. How can performance appraisal be made ethical?
7. How can ethical practices be introduced in production stores, supply chain management and technology?
8. What are the sources of unethical practices in application of computer technology in organisations? Suggest measures to introduce ethical practices in computer applications and management.
9. Suggest measures for following ethical practices in purchase, transport, civil contract and quality control.
10. Discuss the unethical aspects of financial management. Suggest suitable remedies.
11. Define the importance of ethical training.
12. Examine the importance of ethics audit.

Unit-V

2 MARKS

1. Define corporate governance.

As defined by World Bank, Corporate Governance as “the blend of law, regulation and appropriate voluntary private sector practices which enables the corporation to attract financial and human capital perform efficiently and, thereby, perpetuate it by generating long-term economic value for its shareholders, while respecting the interests of stakeholders and society as a Whole”

2. Discuss the features of corporate governance.

1. It promotes an adequate and appropriate system of controls operative within a company and, thereby, assets can be safeguarded.
2. It prevents any single individual becoming too powerful.
3. It is concerned with the relationship between a company’s management, board of directors and all the stakeholders including shareholders.
4. The company is managed in the4 nest interests of all.
5. It promotes transparency and accountability.
6. It aims at promoting the nest corporate performance through the best corporate management practices.

3. Discuss the need of corporate governance.

Need for corporate governance

1. It reduces the risk of the investor because of its professional management coupled with values.
2. It increases the mobilization of capital because of the confidence of the investors.

3. It enhances the value and good image of the companies. In modern days, importance is given to the reputational capital.

4. Discuss the fixation of director's remuneration.

The following are the six elements in director's remuneration:

1. Basic salary
2. Bonus
3. Stock options
4. Restricted share plans
5. Pension
6. Benefits like car and healthcare.

The basic salary is in accordance with terms of contract. It is neither related to the performance of the company nor the performance of an individual. The size of the company and the experience of the individual are the major deciding factors.

The bonus is linked to the accounting performance of the firm. The stock options give the directors to purchase shares at a specified exercise price over a specified time period.

5. What are the areas of training for the directors?

The directors should be given adequate and up-to-date training in the following areas:

1. Understanding the basics of economy and industry
2. Orientation to the company
3. Diversity management training
4. Financial training
5. Marketing strategies
6. Negotiation skills
7. Managing issues connected with human resources
8. Leadership
9. Mergers and acquisitions
10. Effectiveness of the board of directors.

6. What is corporate Governance?

Corporate governance broadly refers to the rules, process or laws by which businesses are operated, regulated and controlled. The term can refer to internal factors defined by the management, stockholders or the constitutions of a corporation, as well as to external forces such as consumer groups, clients, society, environment and government regulations. This definition implies that corporate governance should provide a structure that works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices, as well as to formal laws and regulations. An important theme of modern corporate governance is to ensure the accountability of certain key individuals in the organization through a mechanism of 'code of practice' and by-laws.

7. Name some of the current Ethical issues.

Indian coal mine allocation scam, Sathyam Computer Scam, Commonwealth games scam, 2G Spectrum Scam, Tehelki Scam, IPL Scam

8. What are the four principles of ethics?

Five principles of ethics, which are:

1. The utilitarian principles
2. The principles of rights and duties
3. The principle of justice
4. The ethics of virtue and care and
5. The principle of common good.

9. Name Duties of Board of Directors.

Typical duties of board of Directors are:

1. Governing the organization by establishing board policies and objectives
2. Selecting, appointing, supporting and reviewing the performance of the chief executive
3. Ensuring availabilities of adequate financial resources
4. Approving a need budgets.
5. Accounting the stockholders for the organizations performance.

12 MARKS

1. What are the theories of corporate governance?
2. What is role of independent directors?
3. Discuss the role of some important committees in the corporate governance.
4. Examine the importance, problems and measures for good corporate governance in india.
5. Define environmental governance. Discuss the role of NGOs in environmental governance. Suggest steps for an effective environmental ethical policy for india.
6. Discuss the ethical guidelines for sustainable development.
7. Discuss the problems of MNCs. Suggest suitable guidelines.

Case study

1. Chantale Leroux works as a clerk for Avco Environmental Services, a small toxic-waste disposal company.

The company has a contract to dispose of medical waste from a local hospital. During the course of her work, Chantale comes across documents that suggest that Avco has actually been disposing of some of this medical waste in a local municipal landfill. Chantale is shocked. She knows this practice is illegal. And even though only a small portion of the medical waste that Avco handles is being disposed of this way, any amount at all seems a worrisome threat to public health.

Chantale gathers together the appropriate documents and takes them to her immediate superior, Dave Lamb. Dave says, "Look, I don't think that sort of thing is your concern, or mine. We're in charge of record-keeping, not making decisions about where this stuff gets dumped. I suggest you drop it."

The next day, Chantale decides to go one step further, and talk to Angela van Wilgenburg, the company's Operations Manager. Angela is clearly irritated. Angela says, "This isn't your concern. Look, these are the sorts of cost-cutting moves that let a little company like ours compete with our giant competitors. Besides, everyone knows that the regulations in this area are overly cautious. There's no real danger to anyone from the tiny amount of medical waste that 'slips' into the municipal dump. I consider this matter closed."

Chantale considers her situation. The message from her superiors was loud and clear. She strongly suspects that making further noises about this issue could jeopardize her job. Further, she generally has faith in the company's management. They've always seemed like honest, trustworthy people. But she was troubled by this apparent disregard for public safety. On the other hand, she asks herself whether maybe Angela was right in arguing that the danger was minimal. Chantale looks up the phone number of an old friend who worked for the local newspaper.

Questions for Discussion:

- 1) What should Chantale do?
- 2) What are the reasonable limits on loyalty to one's employer?

2. Shirley Keck, age 61, was admitted to Kansas medical center. Because of understaffing of nurses in the hospital, Shirley's nurse did not assess her often enough and did not monitor her oxygen level. Shirley's deteriorating condition was not noticed by the nurse because the nurse was overworked. Shirley suffered a respiratory arrest with a resulting brain injury.

Shirley went to the hospital with what she thought was a bad cold, and was admitted with a diagnosis of pneumonia. Following admission, she became increasingly feverish and short of breath, but her family's calls for help went unanswered. In fact, her daughter was unable to find anyone when she went to the nurses' station looking for help. The patient eventually stopped breathing, and someone finally responded to the family's desperate and frantic calls for help. Shirley was successfully resuscitated, but sustained brain damage due to oxygen deprivation. She was left unable to walk, talk, or care for herself.

At the time of this incident, there were 41 other patients on this unit. Although the hospital's own staffing standards called for 5 registered nurses and 2 licensed practical nurses to staff this unit, only 3 registered nurses were on duty. The plaintiff's attorneys contended that lack of monitoring by nurses—caused by short staffing—led directly to the permanent brain damage Keck suffered. Furthermore, the attorney claimed that the hospital's staffing plan, calculated according to hours of care per patient per day, failed to account for patient acuity, resulting in one nurse caring for as many as 20 patients at a time. The hospital claimed that the unit was safely staffed at all times. However, when the records for the unit in question were subpoenaed, they indicated that the hospital failed to meet its own staffing standards for 51 out of 59 days before this incident. Moreover, during depositions, a staffing supervisor said that administration warned about the costs of scheduling extra nurses, and a staff nurse submitted copies of documents in which the staff expressed their concern about the impact short staffing was having on patient care safety. According to the American Trial Lawyers Association, this was the first case to target corporate level staffing decisions rather than individual provider negligence.

The defendant hospital blamed the doctors caring for the Shirley Keck, and denied any allegations of understaffing in order to increase profits. It would have been very interesting to see what a jury would have done with this case; however, the hospital agreed to a \$2.7 million out-of-court settlement while still denying allegations of short staffing. To put this in perspective, in 2010 the median range for out of court settlement was approximately \$125,000 versus \$235,000 for jury verdicts—and the hospital *settled* for \$2.7 million in 1999. Moreover, the family refused to agree to any conditions that the settlement remain confidential so that others people might not suffer injury as a result of poor staffing. Thus, Keck's story became nationally news, and was presented on *CBS - 60 minutes*, *NBC nightly news*, and *CNN*, and published in *Reader's Digest*, *Chicago Tribune*, *Wichita Eagle*, and other media.

Questions for Discussion:

- 1) Explain the ethical issue in this case.
- 2) Whom do you blame for the incident? Government/Management/Employees. Explain in detail.