

# Unit – 2



## Theories of Business Ethics and Ethical Decision Making

## Teleological Theories

The word teleological is derived from the Greek word TELOS which means an end.

### Merits of Teleological Theories

1. It is based on ordinary moral reasoning which is within the reach of average people.
2. By using this theory, people can justify some unethical acts like lying, breaking a promise and even stealing.
3. Teleological theories justify public policy like evacuation of people for the construction of multi-purpose river valley projects.

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### Demerits of teleological Theories

- Teleological theories ignore the means, which are also as important as the ends.
- In a welfare state like India, means are considered as necessary steps for achieving the ends.

## Deontological Theories

The word deontology has derived from the Greek word DEON which means duty.

### Merits of Deontological Theories

1. Means or methods are as important as the ends is a noble principle.
2. The mad rush to achieve any result will be reduced and people will have more peace of mind.
3. Unethical acts in business like false information, empty promises and cheating can be very much reduced.

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### Demerits of deontological theories

- For many people, it is difficult to follow the right approaches during the process of a transaction. For example, bribery has become a part and parcel of public administration.
- In a fast growing material culture, human and ethical values are not given adequate importance.

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### Seven Rules of Ross

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.

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## Cognitive Moral Development

Moral standards contain a normative appeal such as good business should take care of the needs of the customers. All the moral standards are related to the well-being of human beings.

### Six Spheres of Life

1. The individual person who has control in one self.
2. Primary group consisting of family members where also control can be possible.
3. The groups and organisations in which people participate. The people can bring about changes in those groups by persuasion, direction and guidance.
4. Future man.
5. Life on earth consisting of plants, animals and humans.
6. The physical universe consisting of sun, water and other resources.

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## Moral Corporate Excellence

Hoffman in his article on “What is necessary for corporate moral excellence?” in *Journal of Business Ethics* (1986) writes:

“It must be made clear to all its individual members that its values will not tolerate any deviation from the moral point of view. But at the same time, this moral culture, which gives meaning, identity and integrity to the whole corporate collective, must also value and encourage the moral autonomy of its individual members.”

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## Moral Philosophy

- ❖ Moral philosophy means the principles or rules that govern to decide what is right or wrong. For instance, a production development can inform the labourers about the product they are making.
- ❖ Moral philosophies provide guidelines for settling conflicts in the human world.

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## Kohlberg's Cognitive Moral Development

In this model, there are three levels and each level has two stages. Thus, there are six stages of moral development.

### Level I: Pre-conventional stages

- ❖ **Stage one:** Punishment and obedience orientation
- ❖ **Stage two:** Instrument and relativity orientation

### Level II: Conventional stages

- ❖ **Stage three:** Interpersonal concordance orientation
- ❖ **Stage four:** Law and order orientation

### Level III: Post-conventional stages

- ❖ **Stage five:** Social contract orientation
- ❖ **Stage six:** Universal ethical principles orientation

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### Merits

1. Kohlberg's model is explaining the evolution of morality.
2. There are three different levels of concern, namely immediate self, society level and universal level.
3. The growth of morality is explained in terms of various stages.
4. The idea of universal moral development is very much relevant in modern days of globalisation.

### Demerits

1. Kohlberg had selected only males as samples and this theory is criticised as a "male approach" ignoring females.
2. This theory emphasises only justice ignoring other values.
3. Human rights and fairness are more important than morality.
4. This theory is concerned more with moral thinking than moral action.

# Chapter

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## Ethical Decision – Making

## Introduction

- ❖ Decisions play an important role in the progress and management of business.
- ❖ Many decisions have to be taken to solve the business problems like competition, budget, supply chain and financial matters.
- ❖ Apart from pure business or economic decisions, ethical decisions are assuming a greater role in modern days.
- ❖ Ethical decision-making enhances the corporate status of business.

## Need for Ethics in Framing Business Decisions

1. Avoidance of Litigation
2. Regulatory Freedom
3. Public Acceptance
4. Investor Confidence
5. Suppliers and Partners
6. Customer Loyalty
7. Employee Performance
8. Pride
9. Right Approach

## Factors Influencing Perception

1. Attitudes
2. Motives
3. Interests
4. Experiences
5. Expectations
6. Time
7. Social setting
8. Novelty
9. Motion
10. Sounds
11. Size
12. Similarities

## Eight Steps in Ethical Decision – Making

1. Collection of facts and figures
2. Defining ethical issues
3. Affected parties
4. Examination of consequences
5. Identification of obligations
6. Character of manager
7. Creative thinking
8. Guts of managers



## Challenges of Ethical Decision – Making

The real challenge of ethical decision-making lies in evaluating the various alternative actions from the ethical perspective.

### Guidelines to moral decision-making

1. Recognition of the moral dimension of the issue.
2. Identification of the various parties who are involved in the issue.
3. Finding out the values like trust, autonomy, fairness and justice.
4. Comparison of advantages (benefits) with disadvantages (costs) by the implementation of the current ethical decision.
5. Finding out similar cases and decisions taken on those cases.
6. Discussion of the decision taken with others to gather opinions and reactions.

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## Some Ethical Values to be Studied with Reference to Ethical Decision-making

- ❖ Autonomy: freedom to make a ones own decisions
- ❖ Beneficence : Doing what is best in a given situations
- ❖ Justice: treating all employees equally
- ❖ Nonmaleficence: Avoiding Harm By Deciding not to Spread Gossip

## Methods of Ethical Decision-making in Organizations

1. Bounded rationality
2. Intuitive decision-making
3. Heuristics
4. Escalation of commitment

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### Constraints in Ethical Decision-making

1. Performance evaluation
2. Reward systems
3. Formal rules and regulations
4. Time constraint
5. No historical precedence
6. Cultural differences

### Criteria of Good Ethical Decisions

1. utilitarianism
2. Rights
3. Justice

## Ethical Aspects of Decision – Making

Ethics has a dual role to play in promoting the welfare of business.

- ❖ Firstly, ethics has to mould and shape human behaviour, moral code of conduct and character of all the stakeholders.
- ❖ Secondly, decisions have to be made in an ethical way by taking into account the parties to be affected by the decision.

Ethics involves the major questions of 'how' and 'why' in decision-making analysis. Ethics has both micro and macro level dimensions.

## Role of Ethics in Decision – Making

Behind every decision-making there lies ethics. Sometimes ethical aspects are explicit and many times implicit. Decision-making and ethics are highly interrelated.

### Ethics and Decision-making

PHASE	DECISION-MAKING PATTERN
Phase I Low growth (Establishing market)	Ethical relativism – Ends are given more importance than the means. Subjective-convenient interpretation of ethics.
Phase II High growth (Competitive edge)	Ethical neutrality – Equal importance to ends and means. Decision-making is scientific and objective.
Phase III Growth leveling (Retention and diversification)	Ethical absolutism – Means are given more importance than ends. Decision-making is both scientific and ethical.

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### Ethics and levels of risk

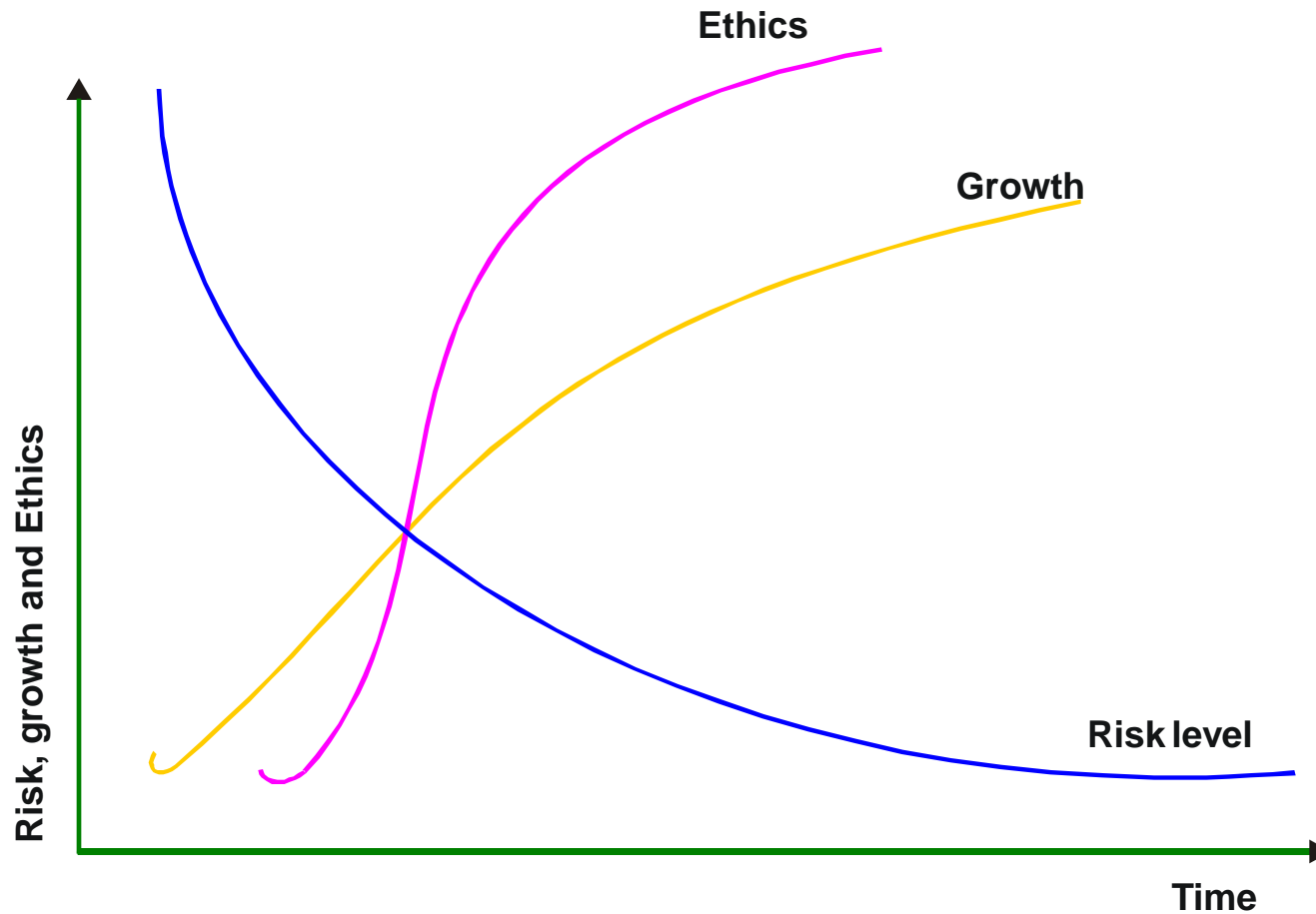
All business activities like production, finance technology and marketing involve an element of risk and uncertainty. A successful entrepreneur is a risk-taker and not a risk-avoider. At the same time, the risk element is not uniform in all business activities.

#### Level of Risk and Preferred Ethical Forms

Level of risk	Risk learning capacity	Desirable ethical form
High	Low	Ethical relativism
Medium	Medium	Ethical neutralism
Low	High	Ethical absolutism

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## Risk, Growth and Ethics



# The Relationship Between Law and Ethics

- The law is an expression of the ethical beliefs of our society.
- Law and ethics are not the same thing. The question, “Is an act legal?” is different from the question, “Is an act ethical?”
- The law cannot codify all ethical requirements. Therefore, an action might be unethical, yet not necessarily illegal. For example, it might be unethical to lie to your family, but it is not necessary illegal
- Similarly, just because an act is illegal does not necessarily mean it is immoral.



# Chapter

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## Personal Ethics

## Introduction

- ❖ Personal ethics leads to professional ethics and organisational ethics.
- ❖ This leads to social and even national ethics.
- ❖ Ultimately, global ethical standards can be achieved.
- ❖ For achieving a macro ethical standard, we should also develop an individual micro-ethical standard.

## Emotional Honesty

- ❖ Emotional honesty is being able to understand, acknowledge, be at peace and comfortable with our own thoughts, attitudes and feelings.
- ❖ Emotional honesty starts with emotional awareness, which is the basis of emotional intelligence.
- ❖ Daniel Goleman, the father of Emotional Intelligence, wrote a book in 1998, titled “Working with Emotional Intelligence”.

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### Core skills for emotional intelligence at the workplace

1. Awareness of feelings and the ability to control them in a constructive way.
2. Emotional resilience – the ability to perform under pressure without getting stress.
3. Motivation to achieve the results.
4. The ability to understand the needs and problems of others.
5. The ability to persuade others.
6. Capacity to make clear and timely decisions.
7. Commitment to a plan of action.

## The Virtue of Humility

- ❖ Humility is the state of being humble in both mind and spirit. It is the absence of pride.
- ❖ A humble person demonstrates a compelling modesty and is even intimidated by public praise. This type of quality has to be acquired and developed by one and all.

### Qualities of a humble leader

1. Take up responsibilities for your organisation
2. Understand the difficulties of others.
3. Admit mistakes and learn from this exercise.
4. Give credit to those who are responsible for your success.
5. Be an original and be a good role model.

## Tips to Promote Happiness by the Individual

- ❖ In our long journey of life, happiness should be all along the way and not necessarily at the end of the journey.
- ❖ We have to take responsibility for our life. Others can give us a good support but ultimately we have to take the responsibility of our life. Adi Sankara said 'Aham Brahmasmi' which means I am the universal, everything else resolves around me, hence, I am responsible for all that I do. Even difficulties and troubles will pass way. Nothing remains the same in the world. We have to strongly believe in the proverb "This too shall pass".

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## Goals

- ❖ Every individual is supposed to possess goals as signposts for reaching. A goal-oriented life provides a good agenda for our living. We should develop both long-term and short-term goals.
- ❖ Achieving a goal requires a lot of activities, physical—mental and emotional.

## Contribution of Tal Ben Shahar

Tal Ben Shahar is a psychology faculty at Harvard University where he teaches positive psychology.

**The main ideas of Tal Ben Shahar are listed below:**

1. A balance is necessary between meaning and enjoyment. One should know the meaning of what he is doing.
2. One spends a whole day at the seashore but should know the meaning of relaxation.
3. Everyone should enjoy work and its significant contribution.
4. A balance of meaning and enjoyment is necessary.
5. One has to set reasonable and achievable goals.
6. An ideal work life balance is required to all.
7. We have to learn to fail because failure brings many lessons.



## Karma Yoga

- ❖ The Bhagavad Gita speaks of SWADHARMA, which means each one has to find his own calling. There is no point in imitating some other person. It also says that action is superior to inaction.
- ❖ Modern science tells us that dementia is more likely among people who let their brain idle. We all need to fight inaction.
- ❖ Yoga refers to work or action whereas Karma Yoga is the path we are choosing.

### **A sincere follower of Karma Yoga understands**

1. That he is concerned only with action.
2. That he cannot exercise any control over the results.
3. That he should not entertain the motive of getting a result for a given action.

## Proactive

Being proactive is the strongest tool for taking charge of one's life. To become a successful proactive person, the following tools can be used.

1. Assertiveness
2. Self-motivation
3. Building hope
4. Positive mental attitude
5. Goal setting

## Prevention of stress

Stress is a state of tension experienced by individuals facing extraordinary demands, constraints and opportunities. There are two types of stress, called eustress and distress.

## Flexibility – The Secret of Success

- ❖ Change was slow in olden times but it has become faster in modern times. Electrical gadgetry turned to electronics and wired instruments become wireless. The computer has changed our lifestyles.
- ❖ Rigidity has become a harmful concept because it restricts growth and efficiency. Innovation is the key to progress and flexibility promotes more and more of innovative ideas and practices.

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### Flexibility – the way of Bill Gates

Bill Gates was an intelligent student at Harvard. Though he loved mathematics, he did not go to classes regularly. He was sitting in his hostel room and writing software.

He thought that software would rule the world in future. Before he was thrown out of the university, he left the university without getting a degree. Later on, after establishing a Microsoft, he became a great man. In 2007, Harvard University called him back and gave him an honorary degree. The path of success is not always a rigid one.

## Purity of Mind

- ❖ Purity of the mind is the ultimate end result of mind control.
- ❖ A pure mind needs no control because it is a clean mind.
- ❖ From the old times till the modern era, hatred, envy, lust, anger, greed and temptation are called basic impurities.

According to Indian philosophical thought, the most effective method of removing the impurities in mind is the repetition of the name of God. This helps to control the thoughts of the person and ultimately elevating the status of the individual. Positive affirmations should become a part of our life.