

Unit-3

Professional Ethics and Corporate Social Responsibility

Introduction

- ❖ Due to the growth of socio-economic conditions, there has been an increase in the professional services throughout the world.
- ❖ In course of time, focus has shifted to professional virtues and values.
- ❖ Older paradigms have given place to newer paradigms.
- ❖ Most professional codes of ethics require that all the transactions should be carried out with integrity, fairness, competence, objectivity, professionalism and respect for customers.

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.
- ❖ 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.

Sri Sathya Sai Baba advises

“Each of you must follow the moral code prescribed for the profession you are managed in and the age and status which you have reached.”

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Attributes of Professional Ethics

1. Every profession should be based on appropriate principles and good ethical practices.
2. Professional conduct should be guided by reason, rational thinking and independent judgment.
3. Every profession should be associated with transparency, responsibility and accountability.

Qualities of a Professional Manager

1. He should be a good planner by analysing the problem in a holistic manner.
2. He should be thorough regarding the extent of production per unit of time, per worker and per hour.
3. He should be able to calculate the cost of production either for goods or for services.

Ethical Problems Faced by Managers

- ❖ All people belong to various organisations. We are frequently facing some ethical dilemmas regarding the right and wrong when values are in conflict.
- ❖ All the organisations expect loyalty from the employees.
- ❖ Modern society has become a cynical society with the 'distrust' and 'mistrust' of scientists, business leaders and managers.
- ❖ Unethical practices are increasing in organisations.
- ❖ According to Felix Rohatyn, a New York investment banker, ethics cannot be taught past the age of ten. According to a former Dean of MIT business school, students ought to have learnt ethics from their families, clergy or previous schools.

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Common Ethical Problems faced by the Managers

Many ethical dilemmas can be predicted in modern times. At the same time, mishandling of ethical dilemma can create more problems for the management.

Human resource issues

According to Barbara Toffler, 66 percent of ethical issues involves human resources. (Toffler, 1986, *Tough Choices: Managers Talk Ethics*, New York; John Wiley & sons)

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Conflicts of interest

- ❖ Personal and professional conflicts can also take place in any organization. A supplier promises to secure admission for the daughter of a manager in a prestigious school in a city.
- ❖ There are many other issues like use of company's resources, sharing information with competitors and getting gifts and compliments from suppliers.

New Skills Required for Managers

- ❖ Managing people
- ❖ Diversity in Workforce
- ❖ Effective Communication

Managing Ethical Conduct in Modern Times

- ❖ Features of ethically effective management
- ❖ Malpractices of Management
- ❖ Code of conduct for professional manager as suggested by AIMA
- ❖ Code of ethics suggested by the National Institute of Personnel Management
- ❖ Guidelines for effective professional managers
- ❖ Professional ethics for computer professionals
- ❖ Professional ethics for teachers
- ❖ Professional ethics for lawyers
- ❖ Professional ethics for scientists
- ❖ Professional ethics for healthcare and pharmaceutical professionals
- ❖ Professional ethics for administrators, police and bureaucrats
- ❖ Professional ethics for financial executives and bankers

Chapter

8

Ethical Leadership

Introduction

- ❖ Leadership is essential in all areas of management and its importance is immense in ethics.
- ❖ Just as a compass points towards a magnetic pole, one's true nature shows the nature of leadership qualities of the individual.
- ❖ Leadership is based on the character and values of the individual.
- ❖ Leadership has many choices and voices and one has to be careful in selecting the right type of leadership.

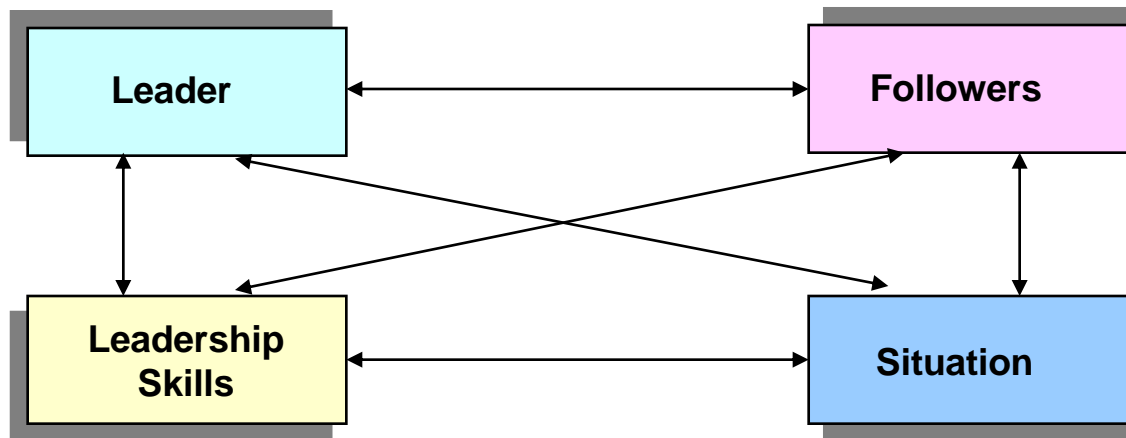
Five Dimensions of an Authentic Leader

- ❖ Purpose with passion
- ❖ Practicing solid values
- ❖ Leading with heart
- ❖ Establishing with enduring relationships
- ❖ Demonstrating self-discipline

A Model for Leadership

- ❖ There are four important variables in leadership, namely the leader, the follower, the leadership skills and the situation.
- ❖ There is a canonical interpretation of leadership consisting of the above four variables. The relationship among the four variables is illustrated in the following model.

Four Variables in Leadership



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Three Types of Leadership

- ❖ Amoral Leadership
- ❖ Value-based Leadership
- ❖ Ethical Leadership

Transactional Leaders and Transformational leaders

1. A transactional leader is only interested in the day-to-day transactions. He is satisfied by the transactions. He is independent and thinks only about the nature and volume of transactions. On the other hand, a transformational leader is interdependent in the sense that he cares for other stakeholders including the immediate colleagues and customers.
2. A transactional leader is trying to protect the individual rights while a transformational leader is meeting social obligations. An ethical leader should be a transformational leader because he can help many instead of a few.
3. The transactional leader has pragmatic goals while a transformational leader has idealistic goal. Good ideas lead to better practices and better results.

Strategies of Ethical Leaders to Make Ethics and Profits Work Together

1. In a modern society, there is sufficient room for ethical practices. Power and opportunities have to be used in a positive way.
2. The general object of morality is to contribute to the betterment of society and not the deterioration of society.
3. An unethical business can encourage the growth of an unethical society. This will erode all our values and goals.
4. Building trust between companies and stakeholders is an ethical act. Fair treatment and mutual respect promote trust. Trust and reciprocal of trust are essentially ethical acts.

Power of Leaders Influencing Ethical Decisions

Leaders have power and influence. Power refers to the influence that leaders are having over their colleagues and subordinates.

Expert Power

This refers to a person's knowledge in a particular field. The credibility may come from knowledge, education, experience and exposure.

Referent Power

This power refers to the understanding that both are benefitted by an action. In other words, the goals of both the persons and department are the same.

Ethics as a New Paradigm

- ❖ In the present century, ethics has a new paradigm, namely a new pattern. Business and ethics are more compatible in the present than in the past.
- ❖ The present global business paradigm includes individual and group empowerment, responsibility, identification of employees with management, harmony, co-operation, teamwork, trust, honesty and integrity.

Eastern Wisdom on Ethical Leadership

- ❖ It is not easy to rule well but worldly duty is to rule well. It is the action that shapes destiny and not otherwise.
- ❖ A ruler's highest duty is to the gods and next of equal importance is truth. The entire world is resting on truth.
- ❖ Self-restraint, humility, righteousness and straightforwardness are essential for a good leader. An ethical leader should have his passions under perfect control.

Functions of an Ethical Leader

In the final analysis, character communicates more eloquently than any other quality or skill. The entire process of leadership is by one virtue namely selfless love. It is said that,

*“Love lives by giving and forgiving
Self lives by getting and forgetting.”*

The following are the functions of an ethical leader:

- ❖ Task needs
- ❖ Group needs
- ❖ Individual needs

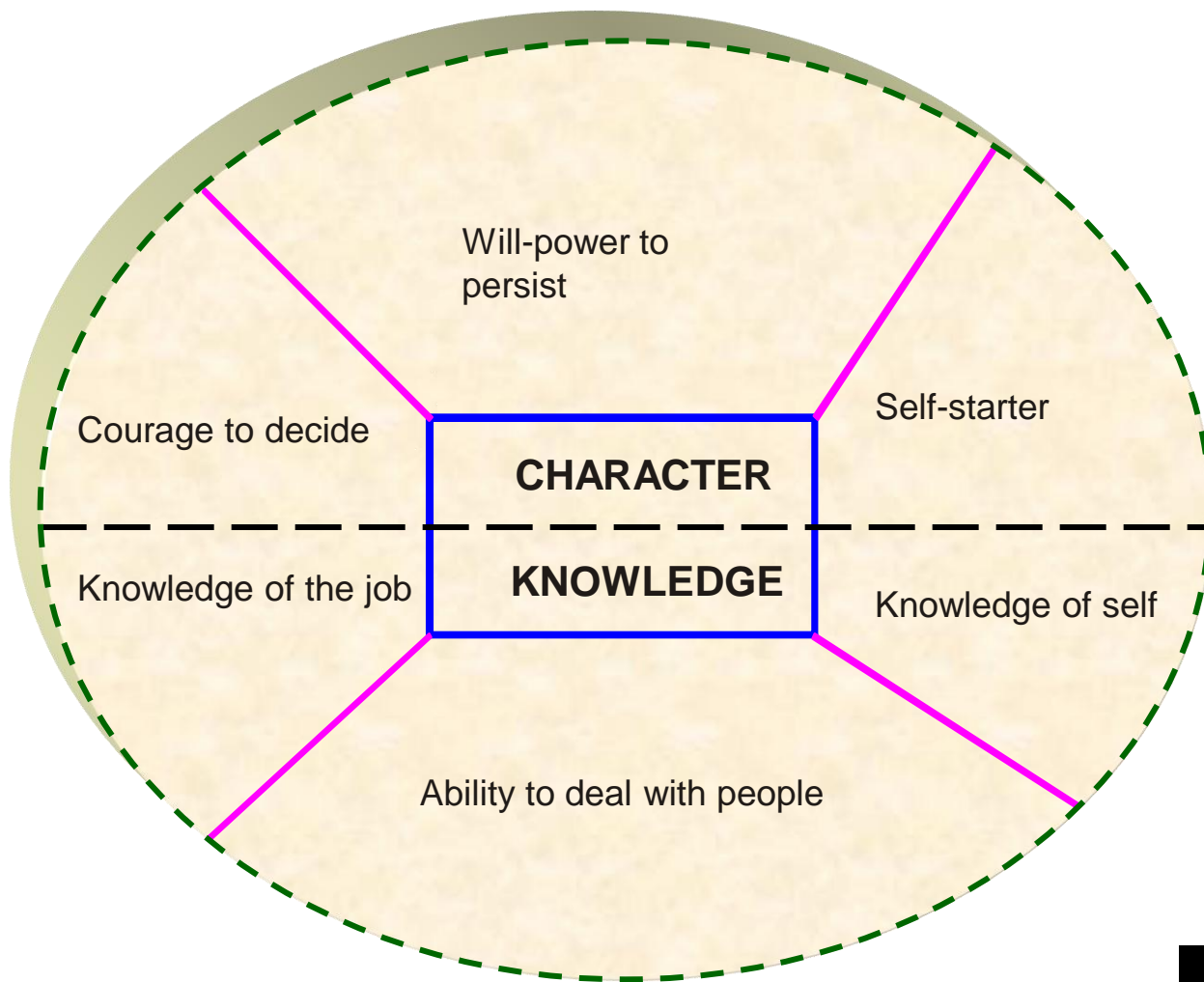
Importance of selflessness

Selfishness is human and selflessness is divine is an accepted belief. An ethical leader should have a clear, universal inner structure based on character and knowledge.

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Inner Structure of Ethical Leaders



Chapter

9

Corporate Social Responsibility

Introduction

- ❖ Both the concepts of ethics and social responsibility are most of the times used in an interchangeable way.
- ❖ Social responsibility is a good idea of giving back to the society in different forms. Many corporations contribute to different acts of social responsibility.
- ❖ There are four levels of social responsibility, namely economic, legal, ethical and philanthropic.

Arguments for Social Responsibility

1. Changing social values
2. Long-run benefits
3. Image of company
4. Benefit for society
5. Welfare state
6. Giving back to society
7. Stockholders' delight
8. Stakeholders' happiness
9. Solution to social problems
10. Overall growth

Arguments Against Social Responsibility

1. Difficult to measure
2. Against profit maximisation principle
3. High cost
4. Lack of social skills
5. Lack of public support
6. Not supported by Board of Directors

A Note on Corporate Citizen

- ❖ The word 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.
- ❖ It is corporate voluntarism to take care of the interest of stakeholders. It also involves reputation management. Apart from maintaining compliance standards, it promotes sound business values with human face.
- ❖ The strategy for corporate citizenship comes from top management. There is collaboration and coordination across business.

Various Dimensions of CSR

There are various dimensions to CSR like economic issues, competitive issues, legal issues, protection of consumers and promotion of ethical conduct.

The Competition Act, 2002 prohibits anti-competitive agreements. This Act has prohibited the following anti-competitive measures:

1. Limiting production or supply
2. Price collusion
3. Tie-in arrangements
4. Abuse of dominant position
5. Forced mergers and acquisitions.

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CSR – A competitive business strategy

- ❖ Business faces a number of challenges. Growth of competition, commercial pressure, rise of regulatory standards and increase of consumer demand create more and more of challenges.
- ❖ The old concept of business as an enterprise making only profit is no longer valid. Business is expected to act reasonably and benefit the society in a number of ways.
- ❖ CSR takes care of both internal and external stakeholders.

CSR – Builder of Corporate Reputation

The corporate reputation is built through CSR. CSR promotes values by breaking the old customs and beliefs. Corporate reputation is more important than 'profitability' and return on investment.

Areas of Social Responsibility of Business

- ❖ Consumers
- ❖ Employees
- ❖ Environment
- ❖ Government
- ❖ Community

Identification of Areas for CRS

1. Social forecasting
2. Opinion surveys
3. National issues
4. Social scanning
5. Social audit

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