



Class: TY BSc

Subject : Professional Ethics

Subject Code: PUSASQF 502

Chapter: Unit 1 - Chapter 1

Chapter Name: Introduction to Business Ethics

Today's Agenda

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1 Introduction



What is ethics or ethical behavior?



1.1 Definition of ethics



The term **"ethics"** is derived from the Greek word **"ethos"** which refers to character or customs or accepted behaviors. The Oxford Dictionary states ethics as **"the moral principle that governs a person's behavior or how an activity is conducted"**.

- Ethics is a set of principles or standards of human conduct that govern the behavior of individuals or organizations
- Ethics can be defined as the discipline dealing with moral duties and obligation, and explaining what is good or not good for others and for us
- It is concerned with truth and justice, concerning a variety of aspects like the expectations of society, fair competition, public relations, social responsibilities and corporate behavior

1.2 Definition of business ethics

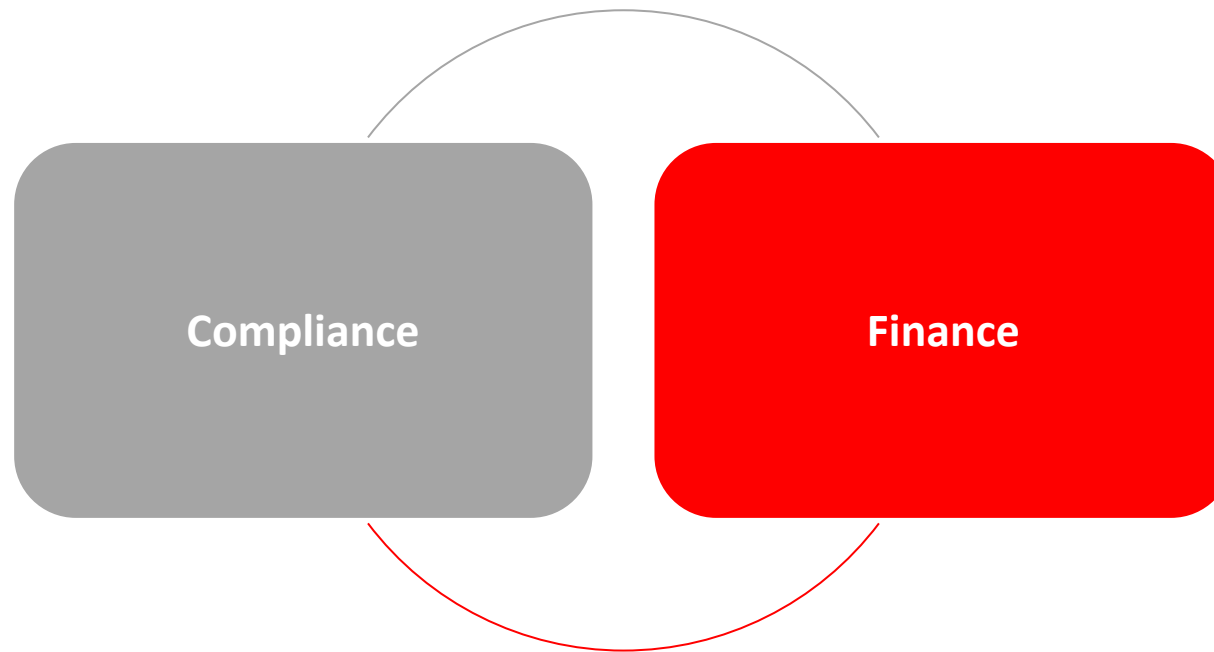


Business ethics is a form of applied ethics. Business ethics refers to a 'code of conduct' which businessmen are expected to follow while dealing with others.

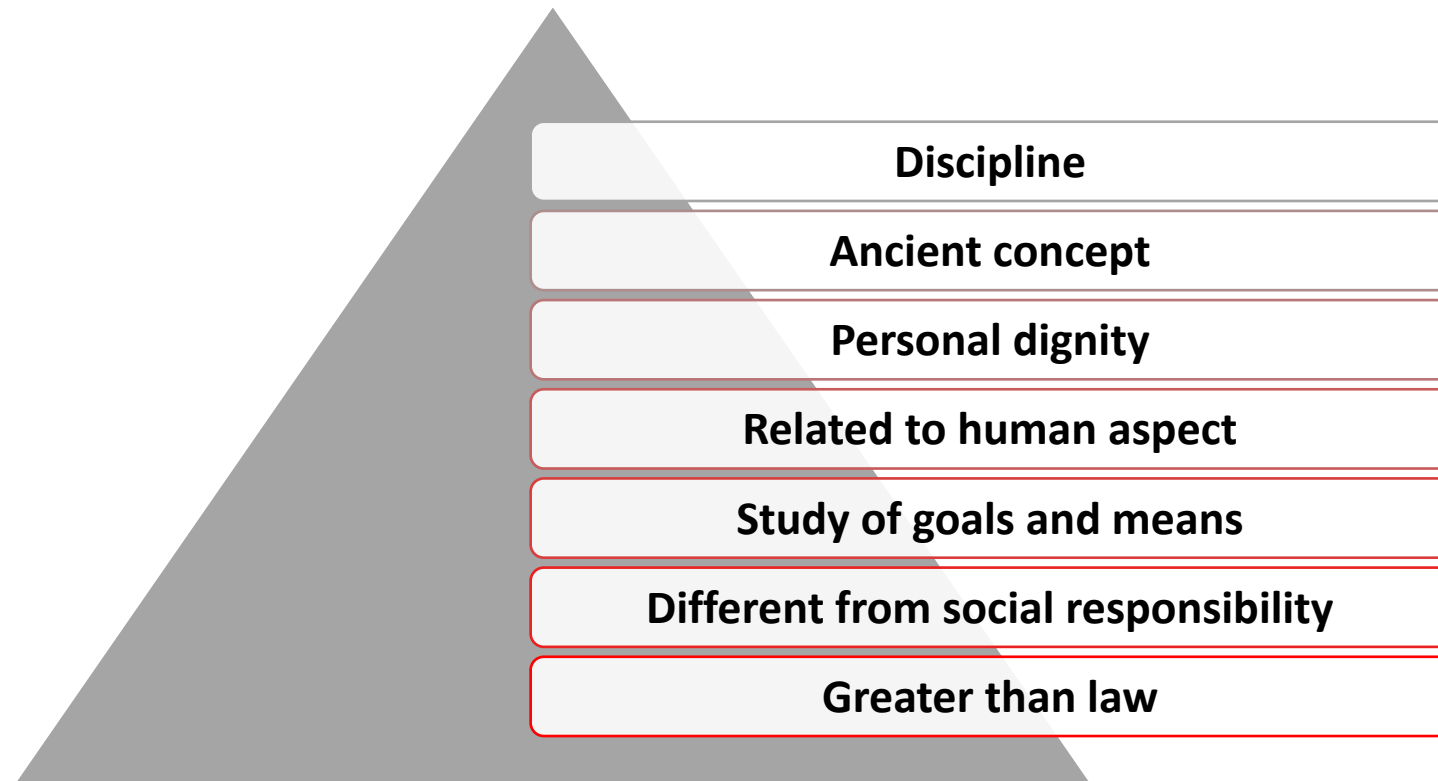
- It comprises the principles and standards that guide behavior in the conduct of business
- Balance their desire to maximize profits against the needs of the stakeholders
- The coverage of business ethics is very wide as it deals with norms relating to a company and its employees, suppliers, customers and neighbors, its fiduciary responsibility to its shareholders
- It is an embodiment of conscience concern towards execution of business processes in tune with the nobility of the purpose.

1.3 Scope of business ethics

Ethical problems and phenomena arise across all the functional areas of companies and at all levels within the company



1.4 Characteristics of business ethics



2 Ethical Theories



Ethical theories are based on the previously explained ethical principles. They each emphasize different aspects of an ethical dilemma and lead to the most ethically correct resolution according to the guidelines within the ethical theory itself

2.1 Deontology

Characteristics:

- It states that people should adhere to their obligations and duties when analyzing an ethical dilemma
- This theory will produce very consistent decisions since they will be based on the individual's set duties
- It provides a basis for special duties and obligations to specific people, such as those within one's family
- Deontologists who exceed their duties and obligations, act is called "supererogation"

Limitations:

- No rationale or logical basis for deciding an individual's duties
- Sometimes a person's duties conflict and that deontology is not concerned with the welfare of others – NO guidance under complex situations having conflicting obligations

2.2 Utilitarianism

Characteristics:

- The utilitarian ethical theory is founded on the ability to predict the consequences of an action
- The choice that yields the greatest benefit to the most people is the choice that is ethically correct
- Compare similar predicted solutions by using point system
- Point system uses rationale and logical arguments for each decision
- Two types of utilitarianism:
 1. Act utilitarianism – It performs the acts that benefit the most people, regardless of personal feelings or the societal constraints such as laws.
 2. Rule utilitarianism – It seeks to benefit the most people but through the fairest and most just means available.

2.2 Utilitarianism

Limitations:

- Uncertainty with respect to outcomes
- Assumption that he has the ability to compare the various types of consequences
- No existence of supererogation
- An individual's rights may be infringed upon in order to benefit a greater population
- Change in variables may change the decision

2.3 Rights

Characteristics:

- Rights set forth by the society are protected and given highest priority.
- Rights are considered to be ethically correct and valid since a large or ruling population endorses them.

- Society goals
 - Characteristics
- Uphold rights
- Rights theory

Other ethical theories



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2.3 Rights

Limitations:

- It is difficult to decipher what the characteristics of a right are in a society.
- It must be used in conjunction with another ethical theory that will consistently explain the goals of the society

2.4 Causist

Characteristics:

- Casuist ethical theory is one that compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes
- Allows one to determine the severity of the situation and to create the best possible solution according to others' experiences

Limitations:

- no similar set of examples for similar ethical dilemma
- Assumes that the results of the current ethical dilemma will be similar to results in the examples

2.5 Virtue

Characteristics:

- The virtue ethical theory judges a person by his character rather than by an action that may deviate from his normal behavior
- person's morals, reputation and motivation into account when rating an unusual and irregular behavior

Limitations:

- it does not take into consideration a person's change in moral character

3 Unethical Behaviour



An unethical behavior would therefore be defined as one that is not morally honorable or one that is prohibited by the law.

3 Unethical Behavior

False communications

Collusion

Gifts and kickbacks

Conflict of interest

Insider trading

Discrimination and Harassment

Wrong doing

3.1 Causes of unethical behavior

- Pressure to meet unrealistic business objectives and deadline (eg: cutting corners on quality control, covering up incidents, lying to customers)
- Desire to further one's career
- Desire to protect one's livelihood
- Ignorance that the acts are unethical and not knowing the seriousness of the consequences when caught
- Competition for scarce resources
- Abuse of power or position
- Lack of consistent leadership
- Few bad apples among organizational actors

4 Work Ethics



Work ethic is a value based on hard work and diligence. It is also a belief in the moral benefit of work and its ability to enhance character.

4.1 Characteristics of work ethics

- **Characteristics**
 - Reliability
 - Dedication
 - Productivity
 - Cooperation
 - Character

5 Code of Conduct



Code of conduct or what is popularly known as Code of Business Conduct contains standards of business conduct that must guide actions of the Board and senior management of the Company.

It may include the following:

- Company Values
- Avoidance of conflict of interest
- Accurate and timely disclosure in reports and documents that the company files
- Compliance of applicable laws, rules and regulations including Insider Trading Regulations
- Maintaining confidentiality of Company affairs
- Non-competition with Company and maintaining fair dealings with the Company
- Standards of business conduct for Company's customers, communities, suppliers, shareholders, competitors, employees
- Prohibition of Directors and senior management from taking corporate opportunities
- Review of the adequacy of the Code annually by the Board
- No authority of waiver of the Code for anyone should be given

5 Code of Conduct

The Code of Conduct for each Company summarizes its philosophy of doing business. The exact details of this code are a matter of discretion, the following principles have been found to occur in most of the companies:

- Use of company's assets;
- Avoidance of actions involving conflict of interest;
- Avoidance of compromising on commercial relationship;
- Avoidance of unlawful agreements;
- Avoidance of offering or receiving monetary or other inducements;
- Maintenance of confidentiality;
- Collection of information from legitimate sources only;
- Safety at workplace;
- Maintaining and Managing Records
- Free and Fair competition
- Disciplinary actions

6 Public good

