



Class: TY BSc

Subject : Professional Ethics

Subject Code: PUSASQF 502

Chapter: Unit 4 - Chapter 1

Chapter Name: Code of Ethics & Legality

Today's Agenda

1. Code of Ethics
 1. Managers & Ethics in organisation
2. Competitiveness
3. Organisation size
4. Profitability & Ethics
 1. Cost of Ethics in Corporate Ethics Evaluation
 2. How to measure employee ethical standards
5. Politics & Legal Environment Ethics
6. Provisions of Indian Constitution
7. Political setup
 1. Prominent features of MRTP
 2. Prominent features of FERA
8. Socio-Cultural Environment and their Impact
9. Salient features of Indian Culture and values

1 Code of Ethics



Most large corporations today have developed codes of conduct internally, which are intended to provide guidance for managers confronting ethical situations and moral conflicts.

- Ethical leadership is essential to managers and employees at all levels of the enterprise when they are faced with difficult ethical decisions and moral conflicts. Codes of conduct alone can seldom be sufficient for managers to come to good decisions
- Organizational codes of conduct have been developed internally by companies to articulate their own value systems, a number of codes and principles have emerged globally to help managers think about their ethical responsibilities.
- Internal codes of conduct are helpful guides but cannot address every unique situation .
- Codes need to be supported by the organization's managerial decision making, its culture, its reward systems, and the communication that exists about ethical practices within the firm.

1.1 Managers and Ethics in Organizations



Many managers find it difficult to speak about and sometimes even recognize ethical issues called the moral muteness of managers.

The ethics of effective and competitive business practices identified by Jeanne Liedtka include:

- Creating a shared sense of meaning, vision, and purpose
- Developing in employees a systems perspective
- emphasizing business processes rather than hierarchy and structure

2 Competitiveness



What is risk?

- Risk basically refers to the variations in the outcomes that could occur over a specified period in a given situation. The greater the variation, the greater the risk.
 - Business risk is the threat that an event or action will adversely affect an organization's ability to achieve its business objectives/targets.
-
- Any organization, public or private, large or small, faces internal and external uncertainties that affect its ability to achieve its objectives. The effect of uncertainty on an organization's objectives is "risk."
 - Corporations face the task of managing their risk exposures while remaining profitable and competitive at the same time.

2 Competitiveness

- Risks
 - Industry & Services Risks:
 - Management and Operations Risks:
 - Market Risks:
 - Political Risks:
 - Credit Risks:
 - Liquidity Risks:
 - Disaster Risks:
 - Systems Risks:

3 Organisation size

An organization's structure is important to the study of business ethics.

Centralised organisation:

- Decision-making authority is concentrated in the hands of top-level managers, and little authority is delegated to lower levels.
- This structure is especially suited for organizations that make high-risk decisions and whose lower-level managers are not highly skilled in decision making.
- These organizations are usually extremely bureaucratic, and the division of labour is typically very well defined.
- Their codes of ethics may specify the techniques to be used for decision making.

Decentralised organisation:

- In a decentralized organization, decision-making authority is delegated as far down the chain of command as possible.
- Such organizations have relatively few formal rules, and coordination and control are usually informal and personal.
- The main strengths of decentralized organizations is their adaptability and early recognition of external change.
- Weakness of decentralized organizations is the difficulty they have in responding quickly to changes in policy and procedures established by top management.

4 Profitability & Ethics

The investors realize that a corporate focus on profits alone with little regard to ethical standards, conduct and enforcement—may result in short-term revenue gain, but long-term profitability may be limited. The balance between profits and ethics to be "ethical profitability."

Well-balanced companies not only consistently reward owners, investors and employees with profitable performance, they also genuinely focus on these five key areas:

1. Leadership by example
2. Company-wide ethical awareness
3. Strong management of revenue generation and reporting
4. High level of internal trust
5. Formal and active compliance program

4.1 Cost of Ethics in Corporate Ethics Evaluation

- Operating in an ethical way may incur additional costs to a business when compared with other retailers and companies who may not do business in the same way.
- Transparency means the business is open to people seeing how it manages its relationships with suppliers. In turn, suppliers practices also need to be transparent. The alternative would be for an organization to ignore ethical behaviour. Operating in the 'right way' is therefore not just appropriate for ethical reasons, but is also good business practice.

4.2 How to measure Employee Ethical Standards

Before ethical standards can be enforced, employers must establish clear and understandable standards. Standards for measuring ethical behavior must be tailored to meet the needs of each organization or business.

Ethical Standards

1. Employees are expected to be honest when dealing with customers, and trustworthy when responsible for protecting company resources.
2. Employees are responsible for reporting any illegal activity taking place on company property.
3. When dealing with customers, employees are expected to conduct themselves with integrity.
4. Employees working in positions of public trust are expected to avoid situations that would give the impression of a conflict of interest.

Results

The best way to measure the effectiveness of a company's ethical standards is to observe the results of employee actions.

- When the company is able to establish and maintain a loyal and satisfied customer base, management has a sure indicator that employees are treating customers ethically.
- When employees protect the integrity of company property, management has a positive measure of ethical conduct.

5 Politics and Legal Environmental Ethics

Some ethical commitments of policy makers and their intersections with environmental problems.

- Policy cannot be value-neutral. If people didn't have different views of things, interests (economic and otherwise), values, and conceptions of "the good," we would have no conflicts and no decisions would require balancing competing "goods. So politics is a commitment to the use of reason, and conflict resolution that allows life to continue.
- Political science has a long long history of thought and disagreement on how politics should be organized. Others seek to found government on the developmental potentials of humans—an important point, since education and other positive forces have a lot to do with the quality of person, and thus society.
- Benjamin makes the point that our politicians must balance their roles as "trustee" and "delegate." politicians should not look only to opinion polls in their decisions, but should also seek to be informed. Their judgment in the "trustee" role is very likely to be essential in environmental cases.
- A competent politician... is one who manages to retain an independent moral identity while also, in the interests of the integrity of the community as a whole... acknowledging the positions of those whose world views point in a different direction"

5 Politics and Legal Environmental Ethics

- Political theorists (such as Heilbroner, and Ophuls) have argued that the "consent of the governed," especially when combined with an expansionist- industrialist political economy (whether capitalist or socialist), fails in the real world of ecological limits.
- One principle that follows from the role of science is that learning must be paramount in environmental policy. We need to track our management attempts and constantly adjust based on what we find out. This approach is often called "adaptive management."
- Anyone dealing with policy should be able to articulate, compare, select, justify, defend, and critique the ethical assumptions of policy choices.

5 Politics and Legal Environmental Ethics

Some ethical premises of specific areas of environmental policies are contained in other portions of this course. Briefly, a few of the important dimensions are:

- Which humans matter in environmental ethics? Only those with the resource to know the risks and hire lawyers and lobbyists, or all people? Only those in our nation, or beyond? Only ones alive now or others in the future?
- What environmental obligations do we owe other humans? Is there a 'right' to a healthy environment? One that can provide for a full range of needs? Of opportunities too? An enjoyable one? How do we define these in specific policy areas?
- Do only humans have ultimate value? Nonhuman animals? Any organism? Populations? Species? Not unitary things of any sort, but instead communities? Systems? How can any of these units be defined, and our obligations toward them justified? How do we deal with the many conflicts that arise when we grant any non humans moral standing?

5 **Politics and Legal Environmental Ethics**

- How do we deal with uncertainty and complexity of natural systems? Does this have implications for the burden of proof? For what we protect and how thoroughly we protect it?
- How do we think of environmental obligations? In cost-benefit terms? In some other way? How do we balance competing interests?

6 Provisions of the Indian Constitution

Certain provisions of the Indian Constitution are applicable to the business which are summarized under the following headings:

I. Preamble of Constitution and Business

- The preamble of the Indian Constitution guarantees to its every citizen:
- (i) Economic Justice:
- (ii) Liberty of Thought, Expression, Belief, Faith and Worship:
- (iii) Equality of Status and of Opportunity

II. Fundamental Rights and Business

- (1) Right to Equality (Articles 14 to 18)
- (2) Right to Freedom (Articles 19 to 22)
- (3) Right against Exploitation (Articles 23 to 24)
- (4) Right to Freedom of Religion (Articles 25 to 28)
- (5) Cultural and Educational Rights (Articles 29 to 30)
- (6) Right to Constitutional Remedies (Article 32)

7 Political Setup

Directive Principles of State Policy:

The economic importance of Directive Principles of State Policy is:

- (i) To provide adequate means of livelihood for all the citizens.
- (ii) To secure equal pay for work to both men and women.
- (iii) To protect the workers, especially children.
- (iv) To regulate the economic system of the country that it does not lead to concentration of wealth and means of production.
- (v) To make provision for securing right to work, to education and to public assistance in cases of unemployment, old age, sickness and similar other cases.
- (vi) To ensure a decent standard of living and facilities of leisure for all workers.

The main objective of the above noted directive principles are to enable the individual to lead a good and satisfying life. All the provisions of directive principles of state policy guide the government policies towards the business and other economic and social activities.

7 Political Setup

- The various Acts like FERA, Factories Act, MRTP Act, Minimum Wages Act, Industrial (Development and Regulation) Act, Industrial policy, etc., are based on the Directive Principles of the Constitution.
- The government, through these acts and regulations, protects the interests of working men, women and children, prevents concentration of economic power, and promotes and protects the interest of small and cottage industries.

7.1 Prominent features of MRTP

The MRTP Act was introduced to provide that the operation of the economic system does not result in the concentration of economic power in hands of few. MRTP Act was later repealed and replaced by the Competition Act, 2002 but it still was the first legislation in India regulating the market.

Function of Competition commission:

1. To stop activity and practice which are promoting monopoly.
2. To promote the competition.
3. To protect the interest of consumers.

India is doing all work for safeguarding the interest of consumer and this law is one of the important pillar in this way.

7.2 Prominent features of FERA

The Foreign Exchange Regulation Act (FERA) was legislation passed by the Indian Parliament in 1973 and came into force with effect from January 1, 1974.

FERA imposed stringent regulations on certain kinds of payments, the dealings in foreign exchange and securities and the transactions which had an indirect impact on the foreign exchange and the import and export of currency.

Objectives:

1. To regulate certain payments.
2. To regulate dealings in foreign exchange and securities.
3. To regulate transactions, indirectly affecting foreign exchange.
4. To regulate the import and export of currency.
5. To conserve precious foreign exchange.
6. The proper utilization of foreign exchange so as to promote the economic development of the country.

8 Socio-Cultural Environment and their Impact

As society and culture change, businesses must adapt to stay ahead of their competitors and stay relevant in the minds of their consumers.

- Changing Preferences
- Demographics
- Advertising Techniques
- Internal Environment

8 Socio-Cultural Environment and their Impact

1. Changing Preferences

A major socio-cultural factor influencing businesses and business decisions is changing consumer preferences. For example, a clothing company must constantly be aware of changing preferences when creating new products or it will quickly become outdated.

2. Demographics

Changes in demographics are also a significant factor in the business world. As populations age, for example, markets for popular music and fashions may shrink while markets for luxury goods and health products may increase.

3. Advertising Techniques

Advertising is perhaps the area of business most closely in touch with socio-cultural changes. Changes in morals, values and fashions must all be considered when creating outward facing advertising.

4. Internal Environment

In addition to a company's interactions with the market and its customers, socio-cultural factors also impact a company's internal decision-making process.

For example, changing gender roles and increasing emphasis on family life have led to increased respect for maternity and even paternity leave with organizations.

9 Salient features of Indian Culture and values

CHARACTERISTICS OF INDIAN CULTURE

1. Longevity and continuity
2. Unity in diversity
3. Tolerance
4. Amalgamation of Spirituality and Materialism

VALUES OF INDIAN CULTURE

1. Material Values
2. Social and Political Values
3. Spiritual Values