

BUSINESS ETHICS

Principles and Practices

DANIEL ALBUQUERQUE

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Ethics: Meaning, Definition, and Scope

There are no moral phenomena at all, but only a moral interpretation of phenomena.

—Friedrich Nietzsche

True ethics is Dharma, the right fulfillment and working of the higher nature, and right action should have right motive, should be its own justification and not go on the crutches of greed and fear.

—Sri Aurobindo

LEARNING OBJECTIVES

After studying this chapter, you will be able to

- Distinguish between ethics and morals
- Define business ethics within the confines of ethics
- Understand the nature of ethics as moral value
- Differentiate between law and ethics

INTRODUCTION

The study of ethics is a systematic science. Its scope encompasses all human relationships in a society. Ethical behaviour in business is an economic relationship with the people within a society. Hence, it is also called political economy. Business ethics deals with the study of the problems arising in the relationship between the field of business and its management. In this chapter, we will deal exclusively with the concept of ethics. A concept is a mental model or a mental construct. With the mental model of ethics, we can understand the various other concepts that go into its making. Once the complex structure of this model is ready, we can execute it just the way architectural engineers execute blueprints. The task of business ethics is to enable managers to execute these mental models consistently, contingent on business management situations. The consistency must be such that it becomes a universal principle or a point of reference for right or wrong business actions.

ETHICS AND MORALS

Let us first try to learn the key terms ‘ethics’ and ‘morals’. Note the linguistic use of the terms—they seem as if they are in the plural form, just as ‘economics’ or ‘politics’, but we treat them as singular. Generally, ethics and morals are used as synonyms. There is nothing wrong in such a usage, for after all, the meanings of all words depend on their common usage. However, in formal study, we need to understand the meaning of the terms in a qualified way so as to make our subject of study precise and well defined.

Meaning

The terms ‘ethics’ and ‘morals’ are etymologically, that is, from their very roots or terms, different. The word moral(s) is derived from the Latin root *moralis*, which implies custom. In other words, it refers to a behaviour that is accepted or rejected due to an accepted social custom. The word ethics stems from the Greek word *ethike*, which attributes to a social environment, referred to as ethos or social milieu. This latter meaning embraces much more than mere custom. It refers to everything that is part and parcel of society and not just what is allowed or forbidden.

Another point of difference between the two refers to their usage in ordinary language. For instance, a lawyer defending an alleged rapist would accuse the victim as ‘morally fallen’ and not as ‘ethically fallen’. On the other hand, a committee that is formed to probe the behaviour of the members of Parliament would be called ‘ethics committee’, not ‘moral committee’. The meaning of the word is in its usage. Thus, both these terms have their unique characteristics.

Usage

However, the terms are intrinsically *not* different. Both of them refer to the same reality of human actions, which may be characterized as morally or ethically positive or negative as the case may be. It may be true that the terms (ethics and morals) sound different but they refer to the same social reality wherein a certain body of accepted norms forms a code of conduct in society. The actions of the members are described as ‘moral’ or ‘ethical’ depending on the linguistic nuances of the meaning in a particular case as well as on the conventional use of the terms. It is in the use of the words in a given context that the meaning becomes clear.

In academic usage, however, moral behaviour refers to a concrete behaviour such as showing respect to elders. Ethics, on the other hand, is used to mean a discipline or a systematic study of moral behaviour such as justice. People’s behaviour in a society can be morally characterized in their day-to-day actions. It is in the classroom that we analyse the ethical significance of these actions.

These terms are generally interchanged with one and the same meaning, that is, to determine whether some human action is right or wrong. They deal with the application of a socially accepted code of conduct. This conduct may be termed as either moral conduct or ethical conduct.

EVOLUTION OF ETHICS

Social conduct has evolved along with the evolution of society. When your elders tell you ‘Do not cheat’, they are referring to a social code of conduct. Social conduct has developed in society over hundreds of years. The codes of conduct have been passed down from generation to generation, and there is a pattern to the evolution of such codes. Acceptable behaviour is promoted and elevated as a social value, and unacceptable behaviour is rejected and condemned. In ancient India, there was no moral problem with the custom of *sati*—immolating the wife on the funeral pyre of the deceased husband. But society has evolved humanely and has condemned the act as unacceptable and morally reprehensible.

The laws of a country are based on the customs or moral codes of its society. Penalties are prescribed for bad actions—actions that contradict the established laws. The laws are a measure against those people who cross the limits of the code of social conduct, and ensure that good citizens are protected from the negative consequences of the law-breakers.

The object of the social codes of conduct is to maintain, promote, and elevate harmonious relationships. ‘Honour your parents’ is one such code. It maintains a peaceful relationship between parents and children and promotes respect for each other in the family. Because of its salutary effects, it is considered as one of the fundamental values to be cultivated.

CLASSIFICATION OF ETHICS

To have a clear picture of the structure of the concept of ethics, the above discussion can be brought under three headings: normative ethics, applied ethics, and meta-ethics (see Fig. 1.1).

Normative ethics Norms or standards are also known as values or codes. Norms set clear guidelines for social interaction in a community. Normative ethics is a subject of study wherein students study moral standards. These moral standards can be applied

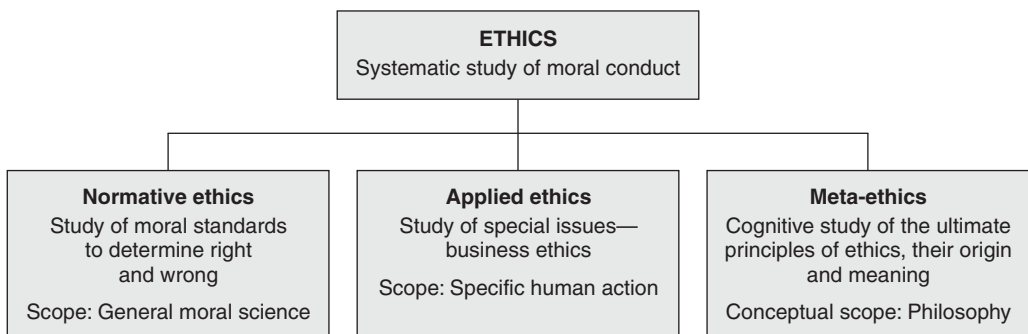


Fig. 1.1 Classification of ethics

to human actions to judge their moral character, that is, whether they are right or wrong. Examples of some of the moral standards are utility, duty, conscience, use of right means for right ends, justice, prudence, and stewardship. Just as there are several standards to measure distance, such as meter, yard, mile, etc., so also there are several standards to judge an action right or wrong. We shall study more about these standards in the chapters that follow.

Applied ethics Business ethics comes under the classification of applied ethics because it concerns itself with the special application of ethics to problems relating to a definite field of human relationships. Normative standards of moral judgment are applied by business managers to the business decisions they take. The ethical element is part and parcel of the integral process of decision making on a business management problem. Business ethics, therefore, deals with the application of normative standards to specific business experiences. The study of business ethics is as essential for a businessman as the study of professional norms for a medical practitioner. We expect a doctor to diagnose correctly so that the right medication is given. There are chances that he could diagnose a simple ailment but report it as a serious one in order to exploit the patient financially. Likewise, a client places trust on a businessman for a transaction and hopes that the latter does not deceive. Thus, applied ethics is strictly professional ethics.

Meta-ethics The Greek word *meta* stands for beyond. Thus, meta-ethics literally means beyond ethics, suggesting an in-depth study of the discipline. In other words, it is a scientific study of the concepts of ethics in itself. You may not find these concepts practical, because nowhere in the world will you find a perfect human being who is perfectly good, perfectly happy, perfectly duty-bound, and so on. These are abstract ideas that are considered as supra-standards, and are concepts that can be conceived as perfectly as perfection itself. We study these concepts as ultimate principles—principles such as good and evil, right and wrong. We study them just the way we study theoretical physics when dealing with the principles of gravitation, energy, or light. The character of these principles is universal in nature. For instance, if we handle ‘duty’ as an ethical principle, it would be applicable as a standard of ethical judgment in all the cases of duty. Hence, meta-ethics is a study of the general principles that govern right and wrong human actions.

APPLICATION

The relevance of ethics is in its application. Just as when we study the theory of relativity in physics, we ensure that the laws or principles of relativity are applied to the factors and elements being considered, so too in our study of ethics, the universal principles have to be applied to individual contexts and situations. We have to abandon the absolutism of universal principles. For instance, killing a man is wrong. But we approve the killing of the enemy in a war and the government honours the act with medals for

bravery. This is due to the fact that such an act has served a higher principle, that is, the protection of countrymen. Ethics, in the practical sense, is also known as moral action and is an applied discipline that deals with a particular human action and also assesses to what extent it is compatible with the general principles.

BUSINESS ETHICS

Business ethics concerns itself with adhering to the social principles of the situations in which business takes place. The analysis of this definition leads us to the following discussion.

Business for Profit

It would seem that business ethics does not come within the confines of ethics. As Adam Smith (1779), the father of modern economics says: ‘People of the same trade seldom come together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.’ People find mechanisms to generate the highest possible returns when conducting business. No one holds it against a worker for demanding higher wages, or a landlord for increasing the rent. Their actions are not considered illegal or unethical. Profits are the just wages for invested capital and entrepreneurship. Hence, these should not be resented and should be left alone outside the boundaries of ethics. Business is for profit; the just reward for doing business lies in the excess returns received on the investment.

Inspiration: Parental Lesson

Origin of the moral world

‘Your visit is enough for me to get well. Why bring a doctor and spend money on his fees?’ This was the gentle rebuke of the aged father of A.P.J. Abdul Kalam, the father of Indian missile technology and the former President of India, whenever Kalam visited his house along with a doctor. When his father died at the age of 102, a heart-broken Kalam reflected: ‘He was a plain and transparent man. My father pursued the supreme value—the Good.’ His mother died soon after. He felt that he should have taken time off from his work and the preoccupation with technology to take care of his old parents. But when he visited a mosque, a quiet reflection there made it clear to him that his parents

had, in fact, achieved their highest accomplishment, while he had still a long way to go. ‘The next morning,’ he writes, ‘I was back at Thumba [the space centre situated in Kerala], physically exhausted, emotionally shattered, but determined to fulfil our ambition of flying an Indian rocket motor on foreign soil.’

Questions

1. Are parents, family, and others a good source of moral values?
2. Is ethics all about positive attitude?
3. What do you understand by good?

Source: A.P.J. Abdul Kalam with Arun Tiwari, *Wings of Fire*, pp. 85–86.

Again, as Goethe (1809) said: ‘Everything which is properly business, we must carefully separate from life.’ This is because business requires definite strategies; life must be led in freedom.

Business with Ethics

No matter how hard one tries, it is impossible to separate life from business. For a businessman, business is life. Mahatma Gandhi (1948) said, ‘It is difficult but not impossible to conduct strictly honest business. What is true is that honesty is incompatible with amassing of large fortune.’ The business world is an important part of society, as it is concerned with the livelihoods of people. Business activity too is subjected to the code of conduct without any exception. People expect businessmen to possess the same rationality as any other citizen. Therefore, there is no separate business ethics for businessmen, as ethics applies to all the activities of people. Consequently, we have to keep business within the bounds of ethics.

Character of Business

‘There are two fools in every market: one asks too little, one asks too much,’ so says a Russian proverb. Is there a concept called *balanced profit*? The business in a society reflects its character. Transparency International, in its corruption perception index, gives Finland, Denmark, and New Zealand the first place with 9.4 points. India is way down at 72, with just 3.5 points on a scale of 10. We may gloat over our cultural heritage and religious and ethical glories of the past, but we stand exposed before the world as a corrupt society. Corruption prevails in all walks of life, whether political, social, or economic. If we have to improve our business, we have to improve our business behaviour.

Professional Ethics

The aforementioned discussion may be understood through the following distinctions: ethics and business ethics. We have studied the distinction between normative and practical ethics and have established that business ethics comes under practical ethics and is applied to a particular activity.

Just as a society functions on the social codes of conduct and a country is governed by its constitution, a business is run on corporate codes. In other words, there is a professional code of conduct for any business. These codes keep evolving as other things around evolve and develop. Therefore, not only should business be defined within the confines of ethics, but it should be practised strictly under its own professional code of conduct. This distinction helps to orient the general principles of ethics and business to a particular activity. The principles, however, do not change. For instance, there is a manager who is doing very well in his career because he is both efficient and honest. To his neighbours and friends, he is not only a very successful businessman, but also a very good family man. To a question asked by a journalist on how he divided

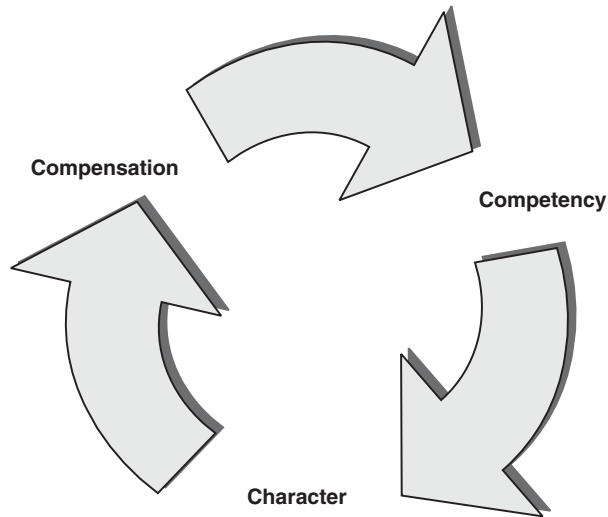


Fig. 1.2 Professional characteristics

his time between his family and business despite his busy schedule, he replied, 'Efficiently.' 'What is the secret of your success?' asked the journalist. He replied, 'Honesty.' The journalist looked inquiringly as if to say, 'Look, business and family are separate.' The businessman said, 'Both efficiency and honesty work equally well at work and at home.' The character of a true professional remains undivided, whether at work or at home. Our roles may change from time to time and from place to place, but the integrity of our character should be maintained.

Business ethics, thus, professionally adheres to a code of conduct that is in accordance with the normative principles. Further, it may be concretely stated that professionals bear the following marked characteristics: (i) competency of educational qualification, (ii) professional skills, and (iii) compensation (salary/remuneration, etc.). See Fig. 1.2.

NATURE OF ETHICS AS MORAL VALUE

Value-free Ethics

It would seem that business is an ethically neutral or value-free activity. In other words, the only value business is concerned with is the monetary value. It is not in the interest of business to mix ethical values. An ancient Arabic wisdom states, 'Live together like brothers and do business like strangers.' Business should be kept free from other social relationships and obligations. The only successful relationship that exists in business is that of a vendor and a customer.

It is also said that 'for the merchant, even honesty is a financial speculation.' Indeed, for a businessman every factor in the business is measured in terms of money. The volatility that we see in the stock market is a clear example of the speculative nature of business, which is directly proportional to the prevailing attitude of the people.

Running on Trust

Successful ethics implies successful business

Jamsetji Tata founded Tata Iron and Steel Company Ltd, popularly known by its acronym TISCO, in 1907. Now it is just Tata Steel. It is one of India's oldest companies. Today, it is India's largest and the sixth largest steel producer in the world. It produces 28 million tonnes of steel, employs 82,700 people, operates in 24 countries of four continents and has a commercial presence in over 50 countries. What is the secret of its corporate success?

Tata Steel is one of the few steel companies in the world that is economic value added (EVA) positive. It was ranked the World's Best Steel Maker for the third time by World Steel Dynamics in its annual listing in February 2006. Tata Steel has been conferred the Prime Minister of India's Trophy for the Best Integrated Steel Plant five times. Regarded globally as a benchmark in corporate social responsibility, Tata

Steel's commitment to the community remains the bedrock of its hundred years of sustainability. Its mammoth social outreach programme covers the company-managed city of Jamshedpur and over eight hundred villages in and around its manufacturing and raw materials operations through uplift initiatives in the areas of income generation, health and medical care, education, sports, and relief.

It has been awarded Asia's Most Admired Knowledge Enterprise award in 2003 and 2004.

Questions

1. What is the fundamental moral value of Tata Steel?
2. Has ethics made any difference to the way of doing business?
3. What are the benefits to an ethics-based company?

Source: <http://www.tatasteel.com/default.asp>.

Further, Adam Smith observes that the baker bakes and distributes bread not because he possesses the virtue of charity, but because he wants to gratify his self-interest, which is to earn his livelihood. An employer rewards an employee for his productivity. Ethics is the last thing on the employer's mind when disbursing the bounty.

Human Relations

In the aforementioned argument, it appears that the more you negate the union of ethical values to business, the greater is the affirmation that it is not a value-free enterprise. All relationships are human relationships. Ethics is another name for human relationships. One may well distinguish the relationship between two siblings and two strangers with many good reasons. But what one is unable to do is to categorize one relationship (between siblings) as human and the other (between strangers) as non-human. It is, in fact, ridiculous to affirm that the relationship between a vendor and a customer is not a human relationship. Business relationship is indeed a type of human relationship.

Further, it is ethically not adverse to have self-interests involved. It becomes unethical when such an activity is an outright exploitation of one's personal interests. Being ethical and unethical is a part of human nature and, therefore, it is the subject of a systematic study called ethics.

Concept of Value-free Ethics

Nowadays, we are familiar with ‘sugar-free’ soft drinks, ‘caffeine-free’ coffee, and ‘alcohol-free’ beer. The concept of ‘value-free’ business ethics is quite appealing to businessmen. It appears as though it may be pursued devoid of all rules within a social vacuum. The concept of value-free ethics came to economics in a rather ironical fashion. Ludwig von Mises, known as the father of the Austrian School of Economics, proposed the pure theory of economics, stating that economic concepts are a priori, that is, they are not dependent on experience, but are purely virtual concepts. The concept of choice, for instance, is a pure concept. It is immaterial whether one chooses water or wine, but the concept in itself is free of such particular elements. Hence, choice is value-free (*wertfrei*). Applied to ethics, it would mean that we should be able to study the principles of this discipline, such as goodness, truth, justice, honour, etc. in their pure form.

It is obvious that such value-free ethics, when understood in the right sense, leads us to study meta-ethics or the fundamental principles of ethics as a pure science. However, if we are to apply an ethical standard to such a study, it would be called a pure study of values, not value-free ethics.

Ethics as a Principle

We have established that social evolution has developed definite principles of civic behaviour, which have attained the status of principles. By principle, we understand that something proceeds and depends on it for its cause. For instance, when you kick a football, force is the principle that propels it into motion and the ball remains in motion till the force lasts. In other words, the physical world functions strictly according to the laws of physics. It is expected that people also submit their behaviour, both in thoughts and in actions, to these principles. An action is valid as long as it reflects the principle, just as the speed of the moving ball depends on the force it receives.

All moral actions are directed towards their object, the good, which is the principle of all happiness. This is not only the sole purpose of our existence but our co-existence with others as well. We cannot be happy alone; we can only be happy together. The universal idea of the good is applied to individual instances. Individuals are good in their own particular way, and are good in so far as they share the essence of goodness. The universal good is a pure or general idea. It is formed through a process of abstraction of the essence from individuals or particulars (see Fig. 1.3).

Business Ethics as Professional Code

Business ethics is not a pure science but a professional practice, and society expects businessmen to abide by the principles of a civil society, just as it expects professionals from other areas such as medicine, bureaucracy, politics, and sports to do so. Thus, instead of a value-free business ethics, we have a value-loaded or value-based business practice.

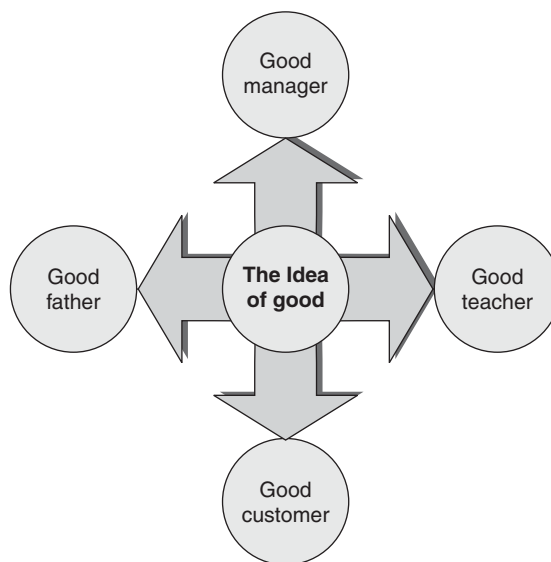


Fig. 1.3 Ethics as a principle

Commitment versus Competency

Goodbye Mr Chips

James Hamilton's *Goodbye Mr Chips*, a heart warming story of a simple school teacher, has become a classic in English literature and has inspired generations of professionals. Arthur Chipping was a simple school teacher at a boys' boarding school at Brookfield. He entered the school service as a young fresher and lived his entire life on the campus.

Chipping was not brilliant. He lacked the talent to teach. He was the butt of jokes for the pupils, as well as the teachers. The headmaster had to reprimand him for not being able to control his class and use his authority. Soon, Chipping earned the nickname Chips.

What redeemed him? He was quiet and shy, but dedicated to his work. Although it was quite hard for him, he performed his task with great dignity and perseverance. He spent all his time preparing for his classes. Nothing ever prevented him from his duty, neither sickness nor adversity. Indeed, even upon the death of his dear wife, he was in his class punctually, as always.

When he retired, he had nowhere to go. But then, the school authorities did not want him to go anywhere because he was not only a part and parcel of the school, but they felt that *he* was the school. He had become the identity of the school. During the war, when many teachers left school to join duty at the front, he returned to the classroom and the school functioned despite the war. His old students and colleagues fell in the war and it grieved him no end. Yet, he would stand before the school assembly every morning and take the roll call of the fallen soldiers to honour them. In his own quiet and simple way, he instilled bravery and dedication in the hearts of the young citizens of his country.

Questions

1. What makes a true professional, commitment or competency?
2. What kind of employee would you prefer, capable or loyal?
3. Do emotional attachment and professionalism go together?

Note: James Hamilton's, *Goodbye Mr Chips* was published in 1934 and first adapted for the screen in 1939. Free ebook available at <http://gutenberg.net.au/plusfifty-a-m.html>.

LAW VERSUS ETHICS

Adequacy of Law

There is a compelling argument that the law can regulate human behaviour, that the law is sufficient to regulate any professional discipline, and that ethics is not necessary. The law of the land is for the citizens, and the rights of every citizen are enshrined in the constitution of the country. Further, law has evolved through the legislative process of the representatives of the people. There are regulations for running institutions in a civil society. In addition to this, there are special provisions made for the business community through acts that govern all business transactions—whether of individual proprietors or of companies under business law or corporate law. These laws are exhaustive and may be applied precisely in case of disputes.

Ethics as the Principal Cause of Law

The proposition that law is sufficient and that ethics is unnecessary is equivalent to saying that cause is immaterial, but effect is everything. The fundamental assumption is that man is a social animal. Society, a community of people, is a system that functions according to its natural order or its environment, which is also called its ethos.

Just as every other human pursuit originates and grows within the bounds of a society, business also originates and grows in a society. Business is an honourable profession, just the way law, medicine, education, craftsmanship, engineering, and so forth are. Ethics is that civil fabric that holds society together for a common goal, that is, to achieve the common good. This is its essence. The common good is to be achieved through the pursuits or vocation that each and every individual in a society follows. The achievement of each and every member of a society adds to the greater good of the community. Ethics acts as an agent of approval and disapproval of the activities of its members.

Ineffectuality of Ethics

Murali, the manager of a hotel, signs a contract with Seema, a singer, to perform twice a week for the next two months. The rate per performance is Rs 2000. One day, Seema absents herself without proffering any reason. Murali cannot condone this behaviour that has caused him personal anguish and loss in his business. He wants to rescind the contract and demands compensation for the suffered loss.

Solution by law

There is a twofold remedy for Murali: (a) Under the Indian Contract Act (Section 75), Seema has clearly violated her contract. Her employer has the right to rescind her contract. (b) Under the same Act the

manager is perfectly within his rights to claim the sustained financial loss.

Conclusion

Ethics is toothless. What would ethics do in such a case when the deed is perpetrated and the damage is done? Nothing at all! Thus, ethical values are just humble pleas for good behaviour, while the law has the power of enforcement behind it. The stipulated punishments are clear deterrents. Moral persuasion is a balm to the conscience that makes one feel good. The law, on the other hand, makes sure that justice is done to the victim and the perpetrator of the fraud or crime is suitably punished.

Business bashing

When business ethics is mentioned, it is assumed that its purpose is to chastise those who are doing business. So now, in the name of ethics, cumbersome laws and regulations have been enacted by the legislature and government machinery, codes by the corporations, directives by the chambers of commerce, recommendations by the non-governmental agencies, and edicts by the religious leaders. These regulations and several other norms now contribute to the burdens of the businessman. It is no wonder that many businessmen see these as the scourge of a businessman!

CONCLUSION

From the above debate, we are able to draw the following conclusions.

First, it is important to know the place a business and its management hold in society. Business is a part of society, and everyone has a stake in it. Hence, it cannot be allowed to do its own will, but it must do the will of the community where it originates and grows. If society dies, business goes down with it.

Second, business ethics guides its practice, as people expect it to be done. The objective of managerial decisions is to promote business and add to the shareholder's value without compromising the interests of any stakeholders in and of society. Practice of good business ethics makes the businessman a thorough professional.

Third, the law is meant for those who trespass on the rights of others. The purpose of the law is to protect the good from the bad. Hence, the law is for those who do evil, to deter them from their activity. The greater the sense of ethical sensibility in a society, the greater is the likelihood of achievement of the common good. Society makes laws through its legislative organs to suit definite regulatory needs. The laws are also repealed when they become obsolete. However, the ethical principle, the good, remains unchanged and the values of justice, equality, prudence, etc. that follow from it also remain unchanged.

Fourth, on the chapter mast we referred to two great philosophers: Frederick Nietzsche—the German philosopher of late 19th century—and Sri Aurobindo. Indeed, as the first one affirms, we do not find morality as a physical entity. We do not see it walking around. Morality is about norms or values that are set by society to be followed uniformly by its members. It is natural that it becomes a matter of debate, discussion, and disagreement as to what constitutes the right behaviour and how to distinguish it from the wrong one. Such a discourse among people on social behaviour leads to various interpretations. Hence, according to the philosopher, there is confusion about morals. We, however, feel that Nietzsche, in order to make this point, rejects the moral experience that we undergo everyday in our lives. Anything that we experience is a result of a thing or an event, both of which belong to the world of phenomenon, the former to the physical and the later to the social.

Sri Aurobindo, on the other hand, alludes to the entire complex moral tradition of India with just a single word, *dharma*. Dharma in Sanskrit implies duty. We often face

Contra Thought



Just for a change, imagine that Talk n Tell, a company that sells mobile phones, puts out this big billboard hoarding.

the problems of moral choices within society. For instance, we have to choose between leaving the family behind and looking for a job in the city, joining the army or looking after our old parents, cheating a bit in business or suffering loss. Here dharma, the traditional behavioural pattern that society has developed over hundreds of years, guides us in our actions. We are able to make ethical choices based on the precedents and thus discern our duty, which is, what we must choose and do.

Sex and Settlement

Downfall of a great manager

Infosys Technologies is a formidable name to contend with in any part of the IT world, not merely for its prowess as a leader in IT but also as a great corporation with an enviable ethics track record. But records so painstakingly created over a long period of time, with grit and determination, can tumble down with one bad example. As the new millennium approached and the business institutions were worried sick about the Y2K syndrome, Infosys was involved in an unlikely scandal—a sex scandal.

Phaneesh Murthy was one of the directors of Infosys and headed its operations in the US. After having worked for almost a decade in the US, Phaneesh was

sued by Reka Maximovich, an employee of the company, on grounds of sexual harassment and unlawful termination of employment. The matter became too embarrassing for the company both abroad and at home. Phaneesh resolutely refuted the charges, but then resigned. The tipping point came when the company agreed to make an out of court settlement for \$ 3 million. Battered by the law, the company learned its moral lessons and put in stricter codes of conduct for its employees.

Phaneesh, the brilliant professional from the reputed Indian Institute of Management (IIM), Ahmedabad, weathered the storm and got on with his life. He became

Contd

Box Contd

the CEO of iGate, which had acquired and merged with Quintant of Bangalore. A certain Jeniffer Griffith filed a suit for sexual harassment against him for a sum of \$ 8 million, which again went for an out of court settlement, for a lesser amount.

Questions

1. Is it true that law is sufficient and ethics is not required?

Source: <http://timesofindia.indiatimes.com/articleshow/935032.cms> and <http://www.rediff.com/money/2003/jul/30igate.htm>, accessed on 5 April 2008.

2. Does being a competent professional ensure good ethics?
3. Is the company's ethics record a dependable intangible asset?
4. Is there a need to train professionals in ethical behaviour?

SUMMARY

- The terms 'morals' and 'ethics' are used synonymously.
- Ethics is a systematic discipline with basic assumptions and well-grounded theories.
- Business ethics is applied ethics, a system of professional ethics developed for business executives to help in decision making.
- We learn our basic ethical values from our parents, educational institutions, and society.
- Industrial establishments like the Tata Steel inspire business students in their profession to be responsible to society.
- The ethical principles are worth upholding even in extreme adversity.

KEY TERMS

Applied ethics Application of ethical principles to a particular problem, e.g., business ethics.

Business ethics Form of professional ethics.

Ethics Academic discipline, also sometimes applied to individual actions.

Good The object of ethics/morals.

Mental model A construct of concepts; may be simple or complex.

Meta-ethics Study of pure concepts or principles of ethics.

Morals Human action that may be judged as good or bad, ethical or unethical.

Particular Individual instance where a universal idea such as the good is applied.

Principle A basic truth or law or assumption.

Professional ethics Specific application of the principles to a particular, specialized occupation.

Universal General mental model of a quality, abstracted from particulars, e.g., good.

CONCEPT REVIEW QUESTIONS

1. Why should ethics be defined?
2. What do we learn through the classification of ethics?
3. What is more important, ethics or law? Give reasons.
4. Why is the subject of ethics seen negatively in the context of business?
5. Can ethics be taught? Explain.

CRITICAL THINKING QUESTIONS

1. What is the meaning of learning a lesson from an incident?
2. What is the meaning of teaching a lesson when you are angry?
3. Describe a scenario where
 - (i) All act ethically.
 - (ii) All act unethically.
 - (iii) More act ethically but some unethically.
4. How would you apply the concepts of 'relative' and 'absolute' to ethics?

FURTHER READING

Amartya Sen, *On Ethics and Economics*, Oxford, Basil Blackwell, 1987.

CASE STUDY

A Matter of Principle*

Important principles may and must be inflexible.

—Abraham Lincoln

Mid-December 2005 was a shocker to the working women of Bangalore, the IT capital of India. Pratibha Shrikrishnamurthy, an employee of the HP GlobalSoft, was raped and murdered allegedly by a driver of the pickup vehicle, who was on unauthorized duty.

There is blanket ban on night shifts for women in Karnataka. IT and ITES women employees are exempted from such shifts. It is mandatory for the concerned companies to provide a two-way transportation for its women employees, along with a security guard. The provision of the security guard had to be changed due to a representation given by the concerned women, about their anxiety that the security guard himself could be a security hazard. The notification in the official gazette accordingly changed the provision of a security guard to 'adequate security'. The companies were now responsible for providing security for their women employees, as they deemed fit.

On the fateful night of 13 December 2005, or rather in the early hours, Pratibha was picked up by a certain Shivkumar, supposedly a newly appointed driver. As per the company rules, she was supposed to cross-check with the 24 × 7 help desk of the company, whenever a new driver came to

pick her up. The victim, however, was taken in easily by the company procedure that Shivkumar followed, who promptly gave a blank call to her office on her mobile. The company now refuses to accept that Shivkumar was their authorized driver.

As per the law, the company gave the next of kin, Gowramma, the mother of the deceased employee, the usual statutory payments and further conferred on her a range of benefits on compassionate grounds—a onetime payment of Rs 11 lakh and a monthly annuity of Rs 15,000, for the rest of her life.

Som Mittal, the CEO of HP GlobalSoft, had to contend with the complaint by the labour department of not providing 'adequate security'. Under the Karnataka Shops and Commercial Establishment Act, Section 25 read with 30(1), Som Mittal had to pay Rs 1000 only as fine, for not providing 'adequate security'. Som Mittal refused to pay. It is two years since the case was registered, and Mittal is fighting it out in the Supreme Court of the country.

The motive for taking the petty matter of having to pay the fine of Rs 1000 to the highest court in the land, purportedly has huge consequences.

* *Source:* Various newspapers. It is an ongoing case and has not come to a conclusion.

Mittal is presently the president of Nasscom and would like to prove it as a test case for the corporates. His contention is that a CEO cannot be held criminally responsible for the said security lapse. Mittal feels that he has a strong and infallible case. But the Supreme Court has declined to go into the merits of the case. Consequently, Mittal has to go back to the Metropolitan Magistrate's Court in Bangalore and give a reason for not wanting to pay the fine and close the case. There is apparently a convincing clause in the Karnataka Shops and Commercial Establishment Act, Section 3, which states that 'nothing in this Act shall apply to (among others) a person occupying positions of management in any establishment.'

Mittal wants to prove that in the outrage of the aftermath of the rape and murder of his employee, the labour department went overdrive in implicating his role in the case as the CEO of the company.

Discussion Questions

1. Has this case anything to do with ethics?
2. What are the principles at stake?
3. Who are the primary stakeholders in this case and what is their relationship to each other vis-à-vis this case?

4. How are law and ethics related?
5. How worthwhile is it to salvage one's non-implication in a case in this manner?
6. How would you deal with the 'aftermath' or the 'public sympathy syndrome'?
7. Can you identify where the public sympathy syndrome affected the outcome of the case?
8. Does public opinion count in ethical judgment?
9. What would you do differently than Mr Mittal, the CEO?
10. How should corporations conduct themselves with government departments?

Going Further . . .

- Play act the case (try to get into the skin of the characters).
- Assume that you and your group are HP GlobalSoft employees. Discuss this case.
- Now, discuss the case as though you were the management team of HP Globalsoft.
- What will your stand be if you are a director in this company?

ETHICAL DEVELOPMENT PROGRAMME

I. Acquaint yourself with a company through visits. Communicate with the managers and employees and make a report on how well the company suits society.

II. Write a letter to a close relative and explain why you want to become a manager. State your ultimate goal in life.

III. Ethics Quiz

Manager's Everyday Ethical Judgment

This quiz consists of two parts: Part I is about the manager as a public person and Part II is about the manager as an individual. When you have completed the quiz, be honest with yourself and compare your attitudes as a manager and as an individual. If there are discrepancies, then you would be termed as a person with double standards.

If there is harmony, then you would be called a person of integrity.

Part I—Manager as a public person

1. You represent a company that supplies woollen cardigans. One of your best customers places a very large order. Your natural instinct would be to tell him to be more realistic, since the company's record of supplying adequate material is limited. You stop in your tracks because with such a bulk order your commission is going to soar. What would you do?
 - (a) You take the order because you think that there is no reason why the company cannot actually supply the stuff.
 - (b) You warn your customer about the problem and let him decide on a realistic volume of the order.

- (c) You dissuade the customer and refuse to take the order because you do not want your longtime customer to suffer any undue business loss.
2. You are a junior manager, with a staff of twenty, in an IT firm. You are happy that your staff comes and reports practically everything to you, including the juicy gossips. There is this young lady who is an extrovert. She comes over to you and gives an eye-witness account of her colleague's romantic involvement with your senior manager. This opens your eyes to the deferential attitude your senior shows to her colleague, for there is some hush-hush information that the lady in question would be duly promoted. What would you do?
- Report the relationship to the higher authorities.
 - Tell your informer to mind her own business, since this is a private affair.
 - Tell your boss about the rumour of his affair with your office staff.
 - Do nothing.
3. You are the general manager of a company. Your best friend's son is in your organization and is an upcoming middle manager. When he meets you, he tells you excitedly that he is going to buy a new apartment. He is confident that with the kind of money he is earning, he will be able to pay the loan in monthly installments. But you know from the board of directors that he is one of those who would have to be retrenched very soon. What would you do?
- You tell him about the retrenchment.
 - You warn him not to go ahead with the apartment loan, since something unpleasant will take place, which you cannot disclose.
 - Tell his senior manager to guide him, dissuade him.
 - Do nothing.
4. You are on the board of directors of a company. At a board meeting, the CEO mentions an anonymous letter that was written by an employee about the irregularities in financial disclosures. He also informs the board that the matter was submitted to the external auditors of the company and they ruled that there was no truth in the allegations. The CEO moves to the next item on the agenda. What would you do?
- You are disturbed by what is going on. Yet, since the issue is resolved by the auditors, you let it pass.
 - You decide to ask the CEO privately for more clarification.
 - You intervene during the meeting and demand an explanation and even ask for a separate committee to be formed to investigate the issue.
 - You take it upon yourself to employ another independent auditor.
5. You and your friend have just been placed in the same company after your MBA. Both of you have been assigned a project. Whenever you go to your friend's cabin, you find him surfing pornographic sites on his computer. What would you do?
- You say nothing.
 - You join him and give him company.
 - You tell him not to waste the company's time and your time, but concentrate on the project at hand.
 - You tell the superiors.

Answers

The answers given here are typically not the only answers in ethics. They use simple common sense judgment. However, these are very close to the optimum balance.

1. (b) Communication, complete and transparent, is the key to relationship building. It also prevents misunderstandings.

2. (a) Reporting to the higher authorities may be a better choice if you would like to avoid any conflict in the future. This is because a senior is involved with a staffer. This could lead to a conflict when certain decisions would have to be taken. For instance, your senior asks you to fire a senior staffer instead of the lady involved. Further, there is a conflict of interest, because the senior has already informed his lady love quietly to move an

application to fill in the post that would be left vacant due to the dismissal.

3. (c) This is a catch 22 situation, where if you tell, you and your company are damned; if you don't, you and your friendship are damned. If you take recourse to the first two options, these may lead to a considerable loss to the company. Since the middle manager is likely to spread the news, there could be a big stir and everyone would stand to lose. His senior manager could shed more light on the situation of his job and workout a plan that would eventually save the middle manager. Thus, a concerted effort is recommended.

4. (c) The first option to let it pass is highly unethical for a board of directors. Yes, one may speak to the CEO later, but what good is it going to do to the company. Your duty, therefore, would be to use your right to intervene and demand inquiry. This action will save your company from the cunningness of its highest officer and institutionalize the value of accountability in the organization.

5. (c and d) Since you find that he is doing something wrong for himself morally and since you are his friend you could admonish him. However, you could be more practical by saying that this behaviour of his is coming in the way of your project and that it is unfair that you alone should bear the major burden of the work. If he continues in his habit then you have a duty to tell the superiors thus, not letting your friend's behaviour to ruin your project and your career.

Ratings

All five: Excellent; *Four:* Very good; *Three:* Satisfactory

Part II—Manager as an individual

1. You are financially sound. Your friend comes to you for some help. You do not want to jeopardise your friendship by declining to help, but at the same time you do not want to part with your money.
 - (a) You direct him to another common friend who is known to have money.
 - (b) You say that presently you do not have the money, but will do the needful as soon as possible (wishing that in the meantime he will solve his problem and not return).

- (c) You will tell the truth why you cannot part with the money.
2. You have a friend who has bought a new dress and wants to know your opinion. Frankly, you do not like it and you know that if she wears it, the entire class is going to ridicule her.
 - (a) You say that it is unusual, thereby suppressing what others may say about it.
 - (b) You ask her whether she could not find something else, thus putting a question mark on her choice.
 - (c) You give her an honest opinion and tell her what you think of the dress, thereby suggesting that your opinion is independent of what your friendship consists of.
3. You are at a store where you have bought several articles. The billing assistant has missed a costly item.
 - (a) You just pay the bill as it is and go.
 - (b) You tell the billing assistant that an item has been omitted and correct the bill.
 - (c) You tell yourself that the money not included in the bill will be given to a needy person.
4. You find a person lying on the road, unattended to by passersby, after being hit by a speeding vehicle.
 - (a) You also pass by.
 - (b) You feel guilty for not helping and later write a letter to the editor about the apathy of the people against their fellowmen.
 - (c) You call the police and ambulance service and wait till they arrive.
5. You see that your colleague who is sitting next to you in a conference is busy on his computer surfing the Internet during the proceedings.
 - (a) You ignore the matter.
 - (b) You tell him to stop it and not distract other participants.
 - (c) You join him by subtly encouraging him with your whispered comments and soft giggles.

Answers

1. (c) Telling the truth plainly earns respect. Circumvention makes one lose trust and costs friendship.

2. (c) Dress, fashion, etc. is a matter of opinion. By giving your opinion you are not only honest to yourself, you do not force others into it. Your friend will appreciate your sense of judgment.

3. (b) Anything other than paying up will result in stealing. Option (c) is quite tempting; but it is wrong to steal from one and give to another.

4. (c) If you want to prove to yourself your sense of morality, this is the one.

5. (b) The earlier you convey to him to stop, the better it is for everyone, including yourself.

Ratings

All five: Excellent; *Four:* Very good; *Three:* Satisfactory

Note: Make this quiz a personal charter and not another test to score better.

Management Mantra

The Interview

A company advertised for a job. Two men were selected for the interview. The first man opened the door and came in. His profile showed brilliant credentials. When the interview was over, he walked out through the door that he had left open. The following day, the second man was called in. He opened the door, stepped in, and shut the door behind him. His credentials were not very impressive but the employer gave him the job instead of giving it to the man who was better qualified. The reason being that the first man could not care less to close the door behind him. This showed that he was lazy and careless and lacked ethics or the customary courteousness. The second man, however, shut the door behind him. His actions demonstrated his awareness of what was going on around him. Moreover, he behaved ethically.

MANTRA *Priority is given to a conscientious person—somebody diligent and thorough, guided by own sense of ethics. Skills, on the other hand, can always be learnt on the job!*