

CONCEPT OF BUSINESS ETHICS

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MEANING & DEFINITION

1. **What is Ethics?**

- a) It is a set of rules that define right and wrong conduct.
- b) A system of moral principles

2. **What is Business Ethics?**

- a) It is that set of principles or reasons which should govern the conduct of business whether at the individual or collective level.
- b) **Acc. To Andrew Crane**, “Business Ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed.”
- c) **ACC. To Wheeler**, “ It is an art or science of maintaining harmonious relationships with society, its various groups and institutions as well as reorganising for right and wrong of business conduct.

NATURE OF BUSINESS ETHICS

- It is evaluative
- It is prescriptive
- It helps to set the moral standard in business
- Provides protection to various social groups
- Grounded on moral and social values
- Not enforced by law
- Needs proper guidance and education
- Relative term
- Differs from Social Responsibility
- Not against profit making

SCOPE OF BUSINESS ETHICS

It works at different levels and covers various level of activities:-

- **Individual level** (Personal level)
- **Organizational level** (May or may not be business org.)
- **Association level** (Various Institutions & Associations)
- **Societal level** (Customers, Banks and Government)
- **Internal policy making** (Making strategies in business)
- **Global level** (Interactions of business)

Contd.

The scope of Business Ethics extends to following areas where ethical concerns are directly or indirectly involved with a business concern :-

Ethical responsibilities of business

Ethical Leadership & performance of social responsibilities

Unethical practices in HRM, Finance, mkting, IT

Ethical issues in Corporate Governance

International Business Ethics

Professional Ethics

Ethical business strategy

Ethical Decision-making

Ethical Audit

OBJECTIVES OF BUSINESS ETHICS

- Teaches us ethical rules and principles
- Concerned with application of values to business
- Diagnosis of past actions and events
- Provides therapeutic advices
- Identifies the areas of unethical practices
- Helps to make decisions which are fair and just

SOURCES OF ETHICAL KNOWLEDGE FOR BUSINESS

- Experiential Knowledge
- Intuition
- Principle of Rationality
- Principle of Revelation
- Legal System
- Codes of conduct
- Religions

SIGNIFICANCE OF BUSINESS ETHICS

- Develops trust amongst all the stakeholders
- Helps to improve social image
- Improves and strengthens organizational culture
- Employees feel empowered and secured
- Develops Teamwork and Productivity
- Helps to avoid conflicts at workplace
- Market failures can be avoided

Contd.

- Better decision making
- Profitability
- Protection of society
- Helps to develop values linked with TQM, Strategic Planning and Diversity Management

BENEFITS OF BUSINESS ETHICS

- Avoids Legal problems
- Asset Protection
- Contributes to Customer satisfaction
- Long term sustainability
- Survival from the competition
- Maximize sales and profits
- Great source of publicity
- Increases confidence of shareholders and investors

DISADVANTAGES OF BUSINESS ETHICS

- Can be expensive in some cases
- Prime goal of a company may get compromised
- Lower profits may make companies less competitive
- Lack of management support
- Increased Overhead expenses

CONCLUSION

- It is the application of the ethical principles in the areas of business
- Business ethics is analytical, diagnostic, evaluative and prescriptive
- It is necessary to guide and protect the interests of stakeholders in the business
- It makes stakeholders secure and full confident
- An ethical organization can be recognized on the basis of its corporate excellence and its relations with its stakeholders

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