

A Pragmatic Approach to Business Ethics

1. Introduction

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The world has changed more in the last two centuries than in all the previous period of history of about 3000 years. The change has been mainly due to the development in the spheres of science and technology. These technical developments have led to both profound physical and social consequences, most of them have been found to be beneficial to human race. It has effect on human behaviour, attitudes and beliefs. Modern management proclaims that the growth of business in an organization not only depends on the efficiency and effectiveness of imparting and absorption of technology but also at the level of ethics practiced.

2. What is Business Ethics?

Business Ethics can be defined as “Written and unwritten codes of principles and values that govern decisions and actions within an organization”.

The basic concept of Business Ethics boils down to knowing the difference between right and wrong and choosing the right. It encompasses the actions of individuals within an organization as well as the whole organization. There are two perspectives of business ethics in an organization, Viz.,

shareholder perspective and stakeholder perspective.

2.1 - Shareholder Perspective

The approach to ethical decision making from a shareholder perspective is centered on making decisions that are in the owners’ best interest. Decisions are guided by a need to maximize return on investment (ROI) for the shareholders of the organization. Individuals who approach ethics from this perspective feel that ethical business practices are the ones that help to make good money.

2.2 - Stakeholder Perspective

Stakeholders of an organization are individuals and groups who affect or who are affected by actions and decisions of the organization. Shareholders are definitely stakeholders, but they are not the only ones who fall under the definition of stakeholder. The stakeholders include employees, suppliers, customers, competitors, government agencies, the news media, community residents and other beneficiaries in the society.

The phrase ‘corporate social responsibility’ is invariably deliberated during

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discussions on business ethics. The idea is based on the concept that organizations should consider the needs and interests of multiple groups of stakeholders, not only those with direct financial stake in the Balance Sheet and profit- loss account of the organization. The idea behind stakeholder based ethical decision making is to make sound business decisions that work for the good of all involved parties. Any organization approaching business ethics from a stakeholder perspective should consider how decisions impact those inside and outside the organization.

3. Management and Business Ethics

The top management in an organization is responsible for laying down standards for behavior of employees that are acceptable or otherwise. Managers do play the most important role in establishing an ethical moral fiber in an organization based on these standards. If they behave as if the only thing that matters is profit, employees are likely to act in a similar manner. It is vital for managers to play an active role in creating a healthy working environment where employees are encouraged and rewarded for acting in an ethical manner.

Managers who want the employees to behave ethically must exhibit ethical decision making practices themselves. They have to remember that leading by example is the first step in fostering a culture of ethical behavior in the organizations. Irrespective of the formal policies or what the employees are informed to do, If they notice managers behaving

unethically, they will believe that the organization wants them to act in a similar manner.

4. Ethical Behavior

Rabindranath Tagore says: “Working for love is freedom in action”. Also Vivekananda says: “Matter is changed into spirit by the force of love”. Sri Sri Ravi Shankar says, “The origin of Life is Love and the Goal of Life is also Love. Yet, the seeking for Love that brings freedom, comfort and peace, is ongoing.”

An organization is not its building, offices, bank- balance, capital or even profit. It is a living and creative entity. It has to continuously evolve with clear futuristic vision on its role in the society, nation and the world. With such a vision organizations transform into dynamic bodies with tremendous learning abilities to adapt and grow. Without this vision large organizations stoop down to the status of a ‘Dinosaur organization’ having institutionalized bureaucracies, boasting past glories and current popularity, and slowly loose power over society. Some of them struggle with intellectual power, temporarily show progress but finally loose stability and hence, degenerate.

The driving force behind an evolving organization is the coordination of wills and emotional involvement through trust and dedication of employees at all levels towards the set objectives of the organization. This is possible by the presence of human values and human touch in an organization that would

generate confidence at all levels. Happiness is the key to success and not vice versa. Hence, it is necessary to build a healthy and productive work environment.

It is the ego that spoils work environment and hence, the ego is the center of attention of most theories of motivation. In order to achieve self-excellence each employee needs to focus on renouncing egoism, teamwork, dignity, cooperation, harmony and trust. It would also necessitate sacrificing lower needs for higher goals, the opposite of classical Maslow theory which was founded on the position of esteem in a person's hierarchy of needs and has become outdated.

5. Influential Factors

The organizational culture sets standards for determining the difference between right and wrong or good and bad decision making and behavior. One or more of the following factors have influence on ethical decision making by the managers and employees:

- Corporate culture
- Existence and application of a written code of Ethics
- Formal and informal policies and rules
- Norms for acceptable behavior
- Financial reward system
- System for recognizing accomplishment
- Company attitude towards employees
- How employees are selected for promotions
- Hiring practices
- Applications of legal behavior
- Degree to which professionalism is emphasized

- The decision making processes
- Behaviors and attitudes of the leaders/managers

The law defines what is legal and what is not, but the distinctions between moral right and wrong are normally not clear. In many situations, lines between right and wrong are blurred. Beliefs regarding what constitute ethical behavior vary between individuals. All these situations can lead to ethical dilemmas. Under such circumstances it is significant to deliberate on the outcomes of decision-making process. Towards this end, one of the ways is by resorting to a simple check involving the following four questions which help to evaluate the decisions:

1. Is my decision a truthful one?
2. Is my decision fair to everyone affected?
3. Will it build goodwill for the organization?
4. Is the decision beneficial to all parties who have a vested interest in the outcome?

When the answer to each of these questions is *yes*, it is likely that the decision is an "Ethical" one.

Another way of ensuring that decisions are truly ethical is by analyzing the results of mock-exercises on publicity. Imagine how one would feel on the actions if it were published in his hometown newspaper. If one would be comfortable having one's parents, school teachers, and other people find out what was done, it would be possible that the decision is an ethical one. However, if one would not want these individuals to learn about his actions, one may have to probably rethink his decision.

6. Conclusions

Knowing the difference between right and wrong and choosing what is right is the foundation for ethical decision making. Organizations and associated business personnel who want to succeed on long-term basis must adopt sound ethical decision-making practices. Experience shows that organizations and personnel who behave in a socially responsible manner are much more likely to enjoy ultimate success than those whose actions are motivated solely by profits.

In many cases, doing the right thing often leads to the greatest financial, social, and personal rewards in the long run.

References:

Names of Authors whose books have been referred to :

- 1) Swami Jitatmananda,
- 2) Swami Ranganathananda,
- 3) Joseph E. Gowel,
- 4) Various Articles on 'Ethics and Management' from Internet search



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