**SEMESTER** – **B.Com**, **SEMESTER 4**

**SUBJECT** – **Business Ethics**

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**LECTURE NO. - 2**

**Note:** We understand that in this situation of lock down, you may not have access to library books. Hence, if anyone is interested to get a scanned copy of the chapters I am covering, please contact me in whatsapp at 9163019220 and I will send you the same.

**Corporate code of Ethics:**

Code of ethics is a set of principles that are followed by the businessman to do their business with honesty and integrity. Business ethics and code of conduct of an employee are also governed by code of ethics. Business ethics is the study of what is considered to be the study of what is considered to be right and what is wrong in a business. Ethical traditions that apply to business support truth telling, honesty, protection of life, respect for rights, fairness and obedience to the law.

The company should be ethical towards the following stakeholders:

* The **owner** as they supply the capital of the company and should try to run business with best of its efforts to generate maximum return to the owners.
* All the other **inhabitants of the society** who are directly or indirectly related with the business as the company in itself is a social element and it operates within the environment. The business is liable to fulfil its corporate social responsibility. Unfair pricing of goods and services, sale of sub standard products, impure medicine selling, and showing indecent advertising should be avoided in selling and marketing activities.
* **Customers** by providing products and services of good quality to customers at fair and reasonable price. Production activities of the business should be fair and ethical.
* **Employees** by giving them fair and reasonable remuneration, promotion, and training and development facilities. There should be representation of employees in the management which will help the employees to raise their voice in decision making.
* **Government,** which provide infrastructure, legal facilities, electricity to business, by paying proper tax, fees to government.
* **Environment** within which the company operates. The company should stay away from production of harmful elements. Production process should be environment friendly and harmless to the society.
* **Competitors,** who are also important players in a healthy economy. Infringement of intellectual property, misuse of such property in some unethical practices, etc. should be avoided.

A business should also be ethical in all the service it provides. Professional ethics of a corporate house includes the ethics to be followed in different operational segments of business. Professional ethics encompasses the personal and corporate standards of behavior expected by a member of a profession or any person who earns their living from a specified professional activity. The business should follow ethical practice in accounting and financing activities. There should be a proper and efficient internal auditing. Necessary actions should be taken to reduce misleading financial analysis, insider trading, scams, etc.

The Institute of Business Ethics, U.K., says developing a Code of Business Ethics sets out to provide a practical and comprehensive guide to producing, implementing and maintaining an effective code of business ethics. Apart from legal requirements, business in general has no recognised code or standard, which provides a benchmark for its conduct. Individual corporations have therefore to formulate their own values about the way they do business.

**Code of Conduct versus Code of Ethics**

Code of Conduct is a set of internal guideline on how employees should behave with each other, with outside parties like customers etc but with the growth of the ideas of business ethics, corporate responsibility to all stakeholders in society and corporate social responsibility, the Code of Conduct was widened to include even statements on policy regarding what the company regarded as ethical vis-à-vis all stake holders and the society in general. That is how the Code of Conduct evolved into a wider document in business organisations historically and came to be known more generally as called the Code of Ethics.

Thus, Codes of Conduct specify actions in the workplace and Codes of Ethics are general guides to decisions about those actions.

**Key Reasons for Developing a Code of Business Ethics**

* Considered to be good corporate governance and important for organizations - Both consumer power and the moral challenges of globalisation can be dealt better with a code in place rather than without.
* Pressures on boards of directors worldwide to take corporate conduct seriously – increased number of legislations, pressure from media on transparency and the growth of socially responsible investment (SRI) has led to the development of a strong business ethics among the organizations.
* Developing a strong business ethics among the senior officials like chairman and CEO the chairman and/or CEO builds confidence among staff and other stakeholders and gives a powerful messag which in turn helps them work more confidently and better.
* Every company needs to have its own code of ethics depending on its background and core values and the area in which it operates.

**Ethical Decisions Don’t Ensure a Perfect World**

Ethical decisions often harm some stakeholders while helping others. One manager switched suppliers to obtain cheaper raw materials. She made this decision for the purpose of keeping her business viable and to protect the owners, employees, and community in which the business was located. As a result, however, the supplier’s business failed, harming its owners and employees—in the same community. Some decisions have extended results that are difficult to anticipate. A manager may resolve a dilemma in the short run and set in motion an unexpected extended consequence. That was the case for the New Orleans chef who created a blackened redfish entrée. He had no idea that his business innovation and nutritional dish would become so popular worldwide that it would endanger the world’s redfish population. When applying a sound ethical decision-making process to a dilemma, managers will find many solid solutions with varying degrees of acceptability. A simple yes or no answer will seldom suffice. In the short run, weighing the pros and cons of various acceptable solutions involves additional energy and time. In the long run, however, managers generally save costly time and energy in damage control and corrective actions by using a sound process for ethical decision making.