

Semester 4

BUSINESS ETHICS

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INTRODUCTION

LECTURE 4

1. Meaning of Business Ethics

Application of ethical principles in business decision making is called business ethics. The interest groups for a business are: (a) investors; (b) employees; (c) customers; (d) suppliers; (e) creditors; (f) legal system; (g) community. Interest groups determine the right and wrong of a business decision. Business evaluates these judgments by the interest groups and defines the principles for business activities. While earning profit is right for some of the interest groups, it may not be so for other categories. Hence, business has to set a pervasive framework within which it must operate. The principles usually incorporate (a) integrity; (b) objectivity; (c) accountability; (d) confidentiality; etc. Rules are to be framed based on these principles. The principles and rules together frames the code of conduct of a business organization according to which every business should run. However, these principles and rules are implicit in nature and not enforced by law. Hence, they are self-governed created by the business in order to fulfill the interest of different participating groups. However, interests of different stakeholders cannot be fulfilled equally. For that reason, every business should work on stakeholder engagement and decide the level of participation by each stakeholder groups. Accordingly, the ethical actions of the business would be determined and corporate social responsibility of the business is to be governed. *Cater Mcnamara*—“Business ethics is generally coming to know what is right or wrong in the workplace and doing what is right—this is in regard to effects of products/ services and in relationship with stake holders”. “Attention to ethics in workplace sensitizes managers and staff to know they should Act so that they retain a strong moral compass. Consequently, business ethics can be strong preventive medicine.” John Donaldson- Business ethics in short can be desired as the systematic study of ethical matters pertaining to business industry or related activities, institutions and beliefs. Business ethics is the systematic handling of values in business and industry.

2. Features of Business Ethics

In any organization from top executive to bottom line employees, ethics is considered as everybody business. It is not just only achieving high level of economic performance but also to conduct one of business’s most important social challenges, ethically at the same time. Here what we get a combination of two familiar words—‘Ethics and Business’ in ‘Business Ethics’. Different meaning is given to business as follows:

- Business ethics are the application of general ethical rules to business behavior.

- Business ethics are rules of business by which propriety of business activity may be judged.
- Business ethics are the rules of business by which the propriety of business activity may be judged.
- Business ethics concentrate on moral standard as they apply to business policies, institutions and behavior. It is a specialized study of moral right or wrong. It is a form of applied ethics.
- Business ethics are nothing but the application of ethics in business. It proves that business can be and have been ethical and still make profits. Today more and more interest is being given to the application of ethical practices in business dealings and the ethical implications of business.