

SEMESTER – B.Com, SEMESTER 4

SUBJECT – Business Ethics

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LECTURE NO. - 3

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.

Chapter 3: Ethics in Management

Management is a systematic and continuous process of doing all actions in any field of human effort. The management is defined as attainment of organizational goals in an effective and efficient manner through planning, organizing, leading and controlling organizational resources.

Manuel Velasquez, a leading writer in the field of business ethics, defines business ethics as “a study of moral standards and how these apply to the systems and organizations through which modern societies produce and distribute goods and services and to the people who work within these organizations.” Batson and Neff define business ethics as the application of moral standards to the structures, policies, systems, and decision-making processes that facilitate the production and distribution of goods and services and affect the treatment of people within the organization and the greater society. Hence, Ethics in management can be viewed as an input that catalyses and energizes managers and leaders to contribute their best in their assigned roles, as socially responsible human beings.

Perhaps the ethical problems of modern business stem from the fact that managers are bombarded with pressures from all sides as they strive to balance the management equation in their everyday decision making: **Efficiency + Effectiveness = Profits.**

This simplistic approach to business has a negative impact on the public. Batson and Neef, in their book ‘Business Ethics: Sunday Ethic-Monday’, say that some of the world business managers have added a variable to the manager’s decision-making equation. For them, the equation might be called the Three-E Equation:

Efficiency + Effectiveness + Ethics = Profits + Long-Term Stability

Thus all managers need to have a well-established framework and a belief system to guide the decision-making process. To apply those moral values effectively, one must understand the structural levels at which ethical dilemmas occur, what parties are involved in the dilemmas, and how a particular decision will affect them.

Ethics in Human Resource Management (HRM)

Staffing is generally considered to be one of the basic managerial functions in the areas of human resource management and organizational management. It involves the three distinct tasks of recruiting, selecting, and training employees. Each of the three must be completed for the hiring process to be complete and ethical.

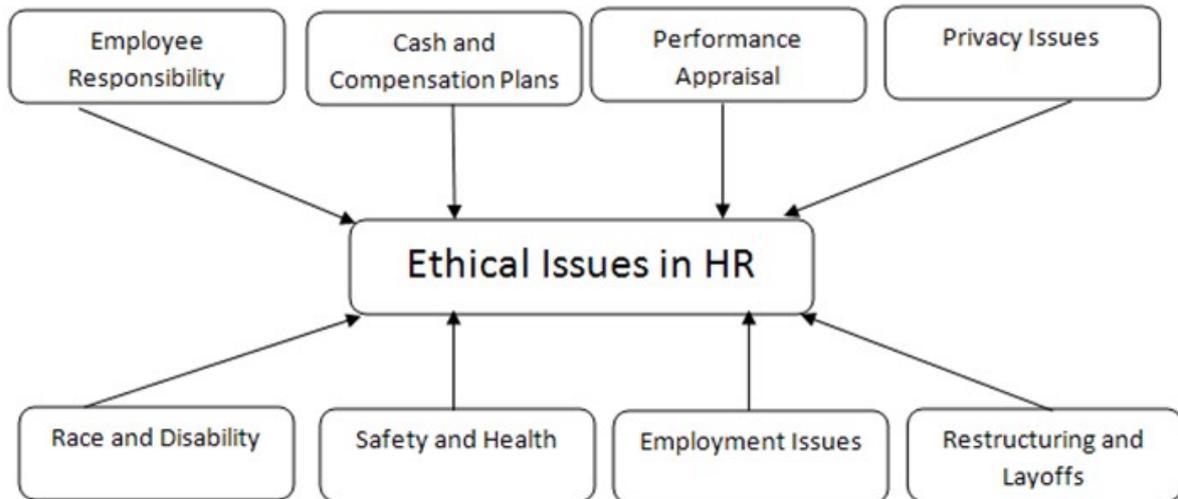
Recruitment should be made without regard to an applicant's race, nationality, gender, or age. They also take special care to avoid misrepresenting: (1) the company's values, mission, vision, and operational goals; (2) the position's responsibilities, place in the company structures, and accompanying compensations. Open advertisements should be made to give equal opportunities to all. Though the cost of open advertisement is high, most employers agree that a larger pool of candidates more than compensates for the cost of recruitment.

Selection of employees involves screening applicants who have been recruited through extensive interviews or administer written tests. In other situations, a review of applications may provide the employer with the information necessary to make an appropriate selection. Ethical managers screen in a manner that is open and fair to every applicant. The ethical manager also must be certain that the decision to reject any candidate is based on that candidate's inability to meet the job qualifications, and not be on the basis of race, sex, or another discriminatory factor.

Training Employees is the final phase of the hiring process. Good managers willingly accept their responsibility to provide quality training for a new employee. They realize that it is unethical and unjust to assume that employees understand expectations. All companies must incorporate an orientation, which may take several minutes or several weeks. A comprehensive orientation should include an introduction to the work environment and co-workers, safety and quality control issues, and suggestions on how the employee can gain additional information when necessary. Depending on the complexities of the job or the frequency of new regulations by regulatory agencies, regularly scheduled continuing education may be a part of an ethical orientation system.

In employment, right to privacy, right to be paid in accordance with the work (fair compensation) are also some areas that cannot be compromised upon.

Few other factors as highlighted below should also be taken care of:



Diagrammatic representation of HR Ethical Issues

- **Cash and Compensation Plans** - There are ethical issues pertaining to the salaries, executive perquisites and the annual incentive plans etc. The HR manager is often under pressure to raise the band of base salaries. There is increased pressure upon the HR function to pay out more incentives to the top management and the justification for the same is put as the need to retain the latter. Further ethical issues crop in HR when long term compensation and incentive plans are designed in consultation with the CEO.
- **Race, gender and Disability** - Evolution of laws and a regulatory framework that has standardised employee behaviours towards each other. In good organisations the only differentiating factor is performance! Managers are trained for aligning behaviour and avoiding discriminatory practices.
- **Employment Issues** – The issue regarding staffing have already been discussed in details above. Some other dilemma of HR managers stem from the pressure of hiring someone who has been recommended by a friend, someone from your family or a top executive. Another dilemma arise when someone already hired someone is later found to have presented fake documents.
- **Privacy Issues** - Any person working with any organisation is an individual and has a personal side to his existence which he demands should be respected and not intruded. This personal life may encompass things like his religious, political and social beliefs etc.

Similarly there are ethical issues in HR that pertain to health and safety, restructuring and layoffs and employee responsibilities.