child labour. They should not unlawfully use copyrighted materials and processes. They should not engage in bribery.

However, it is not always easy to create similar hard-and-fast definitions of good ethical practice. A company must make a competitive return for its shareholders and treat its employees fairly. A company also has wider responsibilities. It should minimise any harm to the environment and work in ways that do not damage the communities in which it operates. This is known as corporate social responsibility.

6.1.1. Principles of Business Ethics – Conceptual Aspects

Ethics form the foundation for international economic activities. Ethical guidelines are essential in making business decisions. Business professionals have responsibilities to make decisions based upon ethical principles. In the 21st century, the role of ethics in international business transactions and interactions will receive more attention.

Why discuss business ethics? According to **Donaldson**, societies can and do have the right to expect business to function ethically. People in every country in the world make an agreement with business to carry out the necessary work to provide goods and services to society: "All productive organizations can be viewed as engaging in an implied contract with society"

"Corporations must have bestowed upon them by society.... authority to own and use land and natural resources. In return, society has the right to expect that productive organizations will enhance the general interests of consumers and employees. Society may also expect that corporations honour existing rights and limit their activities to accord with the bounds of justice".

Most companies have a Code of Conduct that guides workplace behaviours. A Code of Conduct is a description of what practices are expected of employees in the company. If employees follow the rules of the Code of Conduct, they succeed in their jobs;; if employees violate the Code of Conduct, they may lose their jobs. More and more companies conduct international transactions as a part of their daily operations, ethical behaviors vary across cultures.

Experts have created a list of principles to guide international business ethics. These principles are summarized here:

6.1.2. Principles of Business Ethics

1. **Integration:** Business ethics must permeate all aspects of organizational culture and be reflected in key management systems. Companies start by integrating ethics into goal setting and hiring practices. When promoting workers to higher levels within the company, ethical principles guide incentive programs.

2. **Implementation:** Ethical conduct is not just an idea, but requires the implementation of a plan of change in specific areas of work in the company. Some examples are efforts to modify personnel appraisal processes, promotion of improved environmental practices, and referrals to specialists, when needed.

3. **Internationalization:** Increased internationalization is necessary to all successful business in the 21st century. Internationalization is achieved through the formation of international partnerships, trading blocs, and implementation of GATT and other free trade agree trade agreements. Clarification of an organization's own definition of integrity that transcends national borders is necessary. A resulting program is not culturally defined and requires little or no modification when applied in global contexts.

6.2. Morale - Definition

Psychological state of a person as expressed in self-confidence, enthusiasm, and/or loyalty to a cause or organization. Morale flows from the people's conviction about the righteousness or worth of their actions and the hopes of high rewards (material or otherwise) in the future.

Morale is defined by various terms from different standpoints. In military situation morale means enthusiasm to accomplish the assigned task or esprit-de-corps in sports it may mean self confidence of a team, in education it may be the eagerness to learn by students, in business it is associated with the desire to achieve the goals. So it is an overall attitude of an individual or group towards all aspects of their work e.g., the company, the job, the supervisors, fellow workers, working conditions, etc.

Flippo has described morale "as a mental condition or attitude of individuals and groups which determines their willingness to co-operate. Good morale is evidenced by employee enthusiasm, voluntary confirmation with regulations and orders, and a willingness to co-operate with others in the accomplishment of an organization's objectives. Poor morale is evidenced by surliness, insubordination, a feeling of discouragement and dislike of the job, company and associates." In the words of Yoder, "morale is a feeling, somewhat related to esprit de corps, enthusiasm or zeal. For group of workers, morale, according to a popular usage of the word, refers to the over-all tone, climate or atmosphere of work, perhaps vaguely sensed by the members.'

According to **Prof. Jucius**, Morale consists of:

- What is it?
- What does it do?
- Where does it reside?
- Whom does it affect?
- What does it affect?

He answers his own questions as:

(i) **What is it?** It is an attitude of mind, an esprit de corps, a state of well being, and an emotional force.

(ii) **What does it do?** It affects output, the quality of a product, costs, cooperation, enthusiasm, discipline, initiative and other ingredients of success.

(iii) **Where does it reside?** It resides in the minds and emotions of individuals and in the reactions of their group or groups.

(iv) **Whom does it affect?** It affects an employee's group's will to work and cooperate in the best interests of the individuals or groups and the organizations for which they work.

Morale is generally referred to "willingness to work". Job satisfaction and dissatisfaction create the problem of morale among the employees. Good motivation leads to high morale. Being a psychological concept, it is not easy to define it precisely.

6.2.1. Features of Morale

The following are the important features of Morale:

(1) Morale is related to the state of mental health which is closely associated with loyalty, egoism, enthusiasm etc.

(2) Morale is an identification of group interest and that of the interest of the enterprise, fellow workers and the job.

(3) Morale is the subjective feeling of the employees. Morale is said to be high when there is satisfaction.

(4) Morale cannot be measured directly but is reflected in productivity, discipline, turnover etc.

6.2.6. Types of Morale

The following are the two types of morale:

1. **Individual and Group Morale:** Individual morale is a single person's attitude towards work, environment etc. Whereas group morale reflects the general attitude of a group of persons. Group morale is everybody's concern and may go on changing with the passage of time. Individual and group morale are interested but not necessarily identical. They have an effect on each other. The individual's personal perception of the present conditions may be high but the group's perception may be low or vice-versa.

2. **High or Low Morale:** Morale may be referred to high morale or low morale. In the words of McFarland, high morale exists when employee attitudes are favourable to the total situation of a group and to the attainment of its objectives. Low morale exists when attitudes inhibit the willingness and ability of an organization to attain its objectives. The words such as zeal, enthusiasms, loyalty, dependability denote high morale. Low morale may be described by words like lack of interest, laziness, apathy, bickering, jealousy, quarrelsome, pessimism, etc.

6.2.7. Relation between Morale and Productivity

Morale reflects the attitude of employees towards their work, it will be of interest to know if it has any bearing on productivity. A number of research studies reveal that there is no direct relationship between morale and productivity. High morale may lead to higher productivity but in some cases production may go down even. It is generally felt there is a positive relation between morale and productivity but the degree may not be the same. For example, 10 per cent increase in morale may lead to higher productivity but production may not necessarily increase by 10 per cent.

Miller and Form have given four combinations of productivity and morale viz.:

(1) High productivity – high morale
(2) Low productivity – high morale
(3) High productivity – low morale; and
(4) Low productivity – low morale.

The first situation occurs when the individual is satisfied from the job and prevailing environment. He will try to achieve high standards of performance which will lead to higher productivity.

In the second situation (low productivity and high morale) the employee may be satisfied from his work and situations prevailing, showing high morale. Lack of proper teaching of the employee, lack of administrative skill of the supervisor, defective materials, out-dated technology may lead to low productivity in spite of high morale.

In the third situation, management may use strict supervision, prescribe punishments for low productivity and use better technology for raising productivity in spite of low morale.

The fourth situation occurs where factors obtained in combination of high productivity high morale are lacking. There is a complexity of relationship between morale and productivity. This relationship cannot always be predicted. It may differ from organization to organization and from one time to another time.

6.3.1. Business Ethics – Definition & Concept

Business Ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed.

The term 'Business Ethics' refers to the system of moral principles and rules of the conduct applied to business. Business being a social organ shall not be conducted in a way detrimental to the interests of the society and the business sector itself. Every profession or group frames certain do's and do not's for its mem-

bers. The members are given a standard in which they are supposed to operate. These standards are influenced by the prevailing economic and social situations. The codes of conduct are periodically reviewed to suit the changing circumstances.

The ethics of business is the ethics of responsibility. The businessman must promise that he will not harm knowingly.

There is no unanimity of opinion as to what constitutes business ethics. There are no separate ethics of business but every individual and organization in society should abide by certain moral orders.

"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 the stakeholders." - **Cater McNamara.**

"Business Ethics in short can be defined as the systematic study of ethical matters pertaining to the business, industry or related activities, institutions and beliefs. Business ethics is the systematic handling of values in business and industry." – **John Donaldson.**

6.3.2. Features of Business Ethics

The following are the important features of Business Ethics:

1. **Code of Conduct:** Business ethics is a code of conduct. It tells what to do and what not to do for the welfare of the society. All businessmen must follow this code of conduct.

2. **Based on Moral and Social Values:** Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. This includes self-control, consumer protection and welfare, service to society, fair treatment to social groups, not to exploit others, etc.

3. **Gives protection to social groups:** Business ethics give protection to different social groups such as consumers, employees, small businessmen, government, shareholders, creditors, etc.

4. **Provides a basic framework:** Business ethics provide a basic framework for doing business. It gives the social, cultural, economic, legal and other limits of business. Business must be conducted within these limits.

5. **Voluntary:** Business ethics must be voluntary. The businessmen must accept business ethic on their own. Business ethics must be like self-discipline. It must not be enforced by law.

6. **Requires education and guidance:** Businessmen must be given proper education and guidance before introducing business ethics. The businessmen must be motivated to use business ethics. They must be informed about the advantages of using business ethics. Trade Associations and Chambers of Commerce must also play an active role in this matter.

7. **Relative Term:** Business ethics is a relative term. That is, it changes from one business to another. It changes from one country to another. What is considered as goods in one country may be bad in another country.

8. **New Concept:** Business ethics is a newer concept It is strictly followed only in developed countries. It is not followed properly in poor and developing countries.

6.3.3. Factors to be taken into consideration in Business Ethics

Business ethics should take into consideration the following factors:

1. A business should aim to have fair dealing with everyone dealing with it.

2. Ethics should be fixed for everyone working in the organization at any level and their implementation should be linked with reward-punishment system.

3. Any violation of ethics should be detected at the earliest and remedial measures taken immediately.

4. Business ethics should be based on broad guidelines of what should be done and what should be avoided

5. The ethics should be based on the perception of what is right.

6.3.4. Sources of Business Ethics

In every society there are three sources of business ethics – Religion, Culture and Law. The HR manager in every organisation, thus, has to be well-versed with the unique system of values developed by these three sources.

These sources are discussed as follows:

1. **Religion:** Religion is the oldest source of ethical inspiration. There are more than ethical inspirations. 100000 religions which exist across the whole world, but all of them are in agreement on the fundamental principles. Every religion gives an expression of what is wrong and right in business and other walks of life. The Principle of reciprocity towards one's fellow beings is found in all the religions. Great religions preach the necessity for an orderly social system and emphasize upon social responsibility with an objective to contribute to the general welfare. With these fundamentals, every religion creates its own code of conduct.

2. **Culture:** Culture is the set of important understandings that members of a community share in common. It consists of a basic set of values, ideas, perceptions, preferences, concept of morality, code of conduct etc. which creates distinctiveness among human groups. When we talk about culture we typically refer to the pattern of development reflected in a society's pattern of knowledge, ideology, values, laws, social norms and day to day rituals. Depending upon the pattern and stage of development, culture differs from society to society. Moreover culture is passed from generation to generation. Culture facilitates the generation of commitment to something larger than one's individual self-interest. Culture encourages the members of the organization to give priority to organizational goals over and above their personal interests. Culture also serves as a sense making and control mechanism that guides and shapes the attitudes and behavior of people. Managers have to run an industrial enterprise on the cutting edge of cultural experience. The tension that their actions create makes the business ethically more complex.

3. **Law:** The legal system of any country, guide the human behavior in the society. Whatever, ethics the law defines are binding on the society. The society expects the business to abide by the law. Although it is expected that every business should be law abiding, seldom do the businesses adhere to the rules and regulations. Law breaking in business is common e.g. Tax Evasion, Hoarding, Adulteration, Poor Quality and high priced products, environment pollution, etc.

6.3.5. Importance of Business Ethics

The importance of Business Ethics is briefly outlined through the following lines:

1. **Corresponds to Basic Human Needs:** The basic need of every human being is that they want to be a part of the organization which they can respect and be proud of, because they perceive it to be ethical. Everybody likes to be associated with an organization which the society respects as a honest and socially responsible organization. The HR managers have to fulfill this basic need of the employees as well as their own basic need that they want to direct an ethical organization. The basic needs of the employees as well as the managers compel the organizations to be ethically oriented.

2. **Credibility in the Public:** Ethical values of an organisation create credibility in the public eye. People will like to buy the product of a company if they believe that the company is honest and is offering value for money. The public issues of such companies are bound to be a success. Because of this rea-

son only the cola companies are spending huge sums of money on the advertisements now-a-days to convince the public that their products are safe and free from pesticides of any kind.

3. **Credibility with the Employees:** When employees are convinced of the ethical values of the organization they are working for, they hold the organization in high esteem. It creates common goals, values and language. The HR manager will have credibility with the employees just because the organisation has creditability in the eyes of the public. Perceived social uprightness and moral values can win the employees more than any other incentive plans.

4. **Better Decision Making:** Respect for ethics will force a management to take various economic, social and ethical aspects into consideration while taking the decisions. Decision making will be better if the decisions are in the interest of the public, employees and company's own long term good.

5. **Profitability:** Being ethical does not mean not making any profits. Every organization has a responsibility towards itself also, i.e., to earn profits. Ethical companies are bound to be successful and more profitable in the long run though in the short run they can lose money.

6. **Protection of Society:** Ethics can protect the society in a better way than even the legal system of country. Where law fails, ethics always succeed. The government cannot regulate all the activities that are harmful to the society. A HR manager, who is ethically sound, can reach out to agitated employees, more effectively than the police.

6.3.6. *Distinction between Moral and Ethics*

We greatly encounter moral and ethical issues, in our day to day life. Perhaps, these two defines a personality, attitude, and behavior of a person. The word **Moral** is derived from a Greek word "Mos" which means custom. On the other hand, if we talk about **Ethics**, it is also derived from a Greek word "Ethikos" which means character. Put simply, moral are the customs established by group of individuals whereas ethics defines the character of an individual.

While moral are concerned with principles of right and wrong, ethics are related to right and wrong conduct of an individual in a particular situation. Many use the two terms as synonyms, but there are slight and subtle differences between moral and ethics, which are described below.

BASIS FOR COMPARISON	MORAL	ETHICS
1. Meaning	Moral are the beliefs of the individual or group as to what is right or wrong.	Ethics are the guiding principles which help the individual or group to decide what is good or bad.
2. What is it?	General principles set by group	Response to a specific situation
3. Root word	Mos which means custom	Ethikos which means character
4. Governed By	Social and cultural norms	Individual or Legal and Professional norms
5. Deals with	Principles of right and wrong	Right and wrong conduct
6. Applicability in Business	No	Yes
7. Consistency	Moral may differ from society to society and culture to culture.	Ethics are generally uniform.
8. Expression	Moral are expressed in the form of general rules and statements.	Ethics are abstract.
9. Freedom to think and choose	No	Yes