

S.A JAIPURIA COLLEGE (MORNING SHIFT)
B.COM, SEMSETER-IV (HONOURS)
SUBJECT- BUSINESS ETHICS
TOPIC: - UNIT 2 - PRINCIPLES OF BUSINESS ETHICS
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Note No -1

UNIT 2 - PRINCIPLES OF BUSINESS ETHICS

COMPARISON BETWEEN MORALS AND ETHICS

Basis of Comparison	Morals	Ethics
1. Meaning	The beliefs of individual or group as to what is right or wrong	It is guiding principles which help the individual or group to decide what is good or bad
2. Governed by	Social and Cultural norms	Individual or legal and professional norms
3. Choice	Morals are dictated by society, culture or religion	Ethics are chosen by person himself which governs his life
4. Deals with	Principles of right and wrong	It stresses on right and wrong conduct
5. Applicability in business	Do not have applicability to business	It is widely applicable in the business known as business ethics

TOPIC- MORALE

MEANING

Morale refers to team spirit and cooperation of people for a common purpose. Morale is psychological state of a person as expressed in self confidence, enthusiasm and /or loyalty to a cause or organization. According to **Dalton E. McFarland**, morale is basically a group phenomenon. It is a concept that describes the level of favorable or unfavorable attitude of employees collectively to all aspects of their work- the job, the company, their tasks, working conditions, fellow workers superiors and so on.

CHARACTERISTICS OF MORALE

- Morale is a state of mind.
- It is intangible
- It is aggregate of attitudes, feelings, emotions, sentiments etc
- It is relative term it may be high or low
- It influence human behavior and performance

IMPORTANCE OF MORALE

- Higher Performance
- Low Absenteeism
- Better Quality of Work
- Good Discipline
- Stability and Growth of the organization

NATURE OF EMPLOYEE MORALE

Employee morale is the description of the emotions, attitude, satisfaction and overall outlook of employee during their time in a workplace environment.

- **High and Low Morale-** If enthusiasm and willingness to work of a group is high, morale is high and vice versa.
- **Morale versus Motivation-** Morale is a composite of feelings and attitudes that contribute to general feeling of satisfaction at workplace whereas Motivation is process of stimulating individual's action to accomplish desired goal.
- **Morale affects Productivity-** High morale leads to high productivity and low morale to low productivity
- **Measurement of Morale –**
 - a) *Observation*** (observing and studying employee's activities and behavior)
 - b) *Attitude or morale survey*** (help to know opinion of employee either by direct interview or by questionnaires)
 - c) *Morale indicators*** (measured by examining company records regarding absenteeism, labour turnover, quality records, excessive waste etc.)
 - d) *Suggestion boxes*** (employee can be asked to put in their complaints, protests and suggestions in boxes even without disclosing their identity.)

BENEFITS OF HIGH MORALE

- Willing cooperation towards objectives of the organization
- Loyalty to organization and its leaderships
- Good Discipline
- Reduction of rates of absenteeism and labour turnover
- Pride in organization

INDICATORS OF LOW MORALE

- Excessive complaints and grievances
- Frustration among the workers
- Lack of discipline
- High rates of absenteeism and turnover

MEASURES TO IMPROVE MORALE

Following are important measures to achieve high morale:-

- **Fair Remuneration**-Remuneration should be fair and equitable.
- **Incentives**-Monetary and non monetary incentives should be given to employees to motivate them.
- **Job Satisfaction**-Well placed employees take pride and interest in their work.
- **Training**-Training give psychological satisfaction and improves their performance.
- **Work Environment**-The condition of work should be friendly for employees.
- **Social Group Activities**-Encourage employees to take on a community service project together.
- **Worker's Participation**-Workers must be consulted and taken into confidence whenever change is to be introduced.
- **Treating Employee with Respect**- Treat employee with courtesy and respect they deserve.

TOPIC- BUSINESS ETHICS

MEANING

Business ethics involves application of moral standards to the systems and organizations and to the people who work within the systems and organizations.

Business ethics concepts are concerned with three different kinds of ethical/moral issues-

- Issues involving the conduct of business within the systems where business operates including economic, political, legal and social systems.
- Concepts are concerned with corporate issues (questions related to conduct of a particular company)
- Concepts concerned with examination of individual issues (questions related to behavior of one or more individuals within a company)

Business ethics involves having and adhering to a code of moral conduct that places the right and expectations of people over and above the “profit motive” of business. Ethical conduct helps business in three primary ways:-

- Discouraging the breaking of laws in work related activity.
- Helping business entities to avoid actions that may result in costly civil law suits against company
- Motivating companies to avoid engaging in actions that can harm the company’s images.

CHARACTERISTICS OF BUSINESS ETHICS

- The field of business ethics may be considered as a discipline of human values, morality and area of ethical professionalism.
- The subject matter of ethics concerned with what is good or bad and right or wrong
- Judgment is required to determine whether human actions is ethical or not
- Human judgment is based on standards which are in turn based on ethical values
- It may be considered as a set of values which is used for judging human conduct

IMPORTANCE/ SIGNIFICANCE OF BUSINESS ETHICS

- **Creation of Goodwill-** Business can attain goodwill by performing its business activities by following good habit, morals and rules.
- **Motivation to Employee-** Top level employee should show justice and morale to lower level employees for creating good working atmosphere.
- **Creating Credibility-** Business institutions follow strict rules, regulations, and ethics to earn credibility.
- **Social Security-** The business institution is socially secured if it is managed by ethics.
- **Unity of Staff and Leadership-** Unity of Staff and Leadership becomes easy where decisions are taken on values and ethics
- **Improved Decision Making-** Success of business is depended on decision taken and activities performed by business.
- **Long Term Gains-** Long term gains can be achieved by managing business on ethics and values.

Topic- ETHICAL DILEMMA

MEANING

Ethical dilemma refers to a situation of conflict involving two or more ethical principles or alternative. An ethical dilemma is one in which a person has to choose between two options, both of which are morally correct but in conflict.

For a situation to be considered as an ethical dilemma, following three conditions must be simultaneously fulfilled-

Condition 1 - A decision is required to be made by agent

Condition2 - Alternatives available to the agent are ethically conflicting

Condition 3 - Compromise of some ethical principle

FEATURES OF ETHICAL DILEMMA

- Presence of complex situation
- Involves complex justice issues
- Sudden occurrence
- Multi-dimensional options
- Results in mixed outcomes
- Choice of safer alternative

TYPES OF ETHICAL DILEMMA

A) On the basis of level of dilemma

- ✓ **Personal ethical dilemma**(When one person is both an agent and principal)
- ✓ **Business ethical dilemma**(When an agent and a principal are different persons)

B) On the basis of degree of conflict of principles involved

- ✓ **Absolute/Pure ethical dilemma** (Two or more ethical standard are applicable but are in conflict with each other)
- ✓ **Approximate ethical dilemma** (Complicated situations, call for a decision but also involve conflicts between values, laws and policies)

C) On the basis of number of agents involved in ethical dilemma

- ✓ **Simple ethical dilemma** (Only one agent make a choice between two alternatives)
- ✓ **Multiple ethical dilemma** (Two or more agents are involve and both should exercise either of available alternatives)

D) On the basis of number of alternatives that can be chosen

- ✓ **Prohibitory ethical dilemma** (Choice of only one alternatives and all other are prohibited)
- ✓ **Obligatory ethical dilemma** (More than one alternatives either general or conditioned can be chosen)

- Note:** - 1. Judgments are made from point of view of those who make the decisions known as agent.
2. Judgments are made from point of view of those who require decision is called principal.

SIGNIFICANCE OF ETHICAL DILEMMA

- **Confidence about own values structures-** Agents who attempt to resolve ethical dilemmas ,tend to be clear about their own values structures
- **Act as ethical exemplars in business-** Business leaders are in an ideal positions to act as ethical exemplars for their companies and to enforce ethical standard among their employees
- **Establishment of practical company standards-** Adopting a hands on set of corporate standards, marked by proper reward and penalizations, help to improve ethics in business
- **Understanding of context** -Situations need to be considered within their individual contexts, in order to give meaning to concept of justice.

RESOLVING ETHICAL DILEMMA

Approaches in Resolving Ethical Dilemmas

Some of the classical approaches and traditional theories in resolving ethical dilemma are:-

- **Utilitarianism approach-** This approach concerned with consequences and seeks greatest good for greatest number of people.
- **Universalism approach-** The moral worth of individual action should be judged by intention of agent exposed to dilemma, and not by outcome of action
- **Care approach-** The approach opines that circumstances can sometimes overrule justice and universal code of conduct
- **Virtue ethics approach-**This approach emphasis importance of moral character in contrast to moral rules or consequences of actions

Stages of Resolving Ethical Dilemma

Ethical dilemma can be resolved by following three steps:-

Stage 1 – Analyze the consequences

Stage 2 - Analyze the actions

Stage 3 – Make a decision