



Business Ethics

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Business Ethics

- Exhibit standards of personal integrity and professional conduct.
- Protect Quality of environment.
- Racial and religious discrimination is prohibited.

CAUSES OF UNETHICAL CONDUCT IN AN ORGANIZATION

1. Pressure to meet unrealistic objectives and deadlines:

According to a recent survey, the pressure from management or from the board to meet unrealistic business objectives is the leading factor that causes unethical behavior.



2. Increase in acute competition:

Competition is increasing at national and international level. Every business aims to be the highest profit maker. To achieve this goal, organization/individuals are urged to act dishonestly and unethically.

3. Economic Greed:

People have a desire to live a life full of comforts and luxuries. Some people follow unethical means to earn more money. Personal financial worries become a cause for unethical practices such as accepting a bribe.

4. Information of unethical acts through media:

The information given by media provides ideas to inexperienced businessman for doing unethical activities.

5. *Pressure to earn profit:*

- Shareholders expect larger returns.
- Employees hope for higher salary and benefits.
- Directors expect higher remuneration
- Thus there is an increasing pressure to maximize profit to cope with enlarged requirements.

6. Lake of Management Support or poor Leadership:

- Leader is responsible for motivating his staff.
- If the leader does not encourage his subordinates to be ethical then there are higher chances of unethical conduct.
- If the leader himself is involved in unethical activities, his employees may do the same.

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BENEFITS OF BUSINESS ETHICS

Goodwill of the Business

- People like to build long term relationships with organizations that perform their tasks on the principles of ethics.
- Following a code of ethics enhances the goodwill of the organization and organization possess a strong public image.
- Moreover strong public image leads to continual loyalty and attracts new investors.

Prevention from Legal Action

- By implementing ethical practices organizations are automatically prevented from illegal and objectionable activities as business ethics instruct to avoid all that is wrong or evil.
- Such organizations have no fear of legal action and social boycott.

Business ethics have substantially improved society.

Establishment of anti-trust laws, unions and other regulatory bodies has contributed to the development of the society.

Ethical practices create a strong public image

- Organization with strong ethical practices will possess a strong image among the public.
- This image would lead to strong loyalty.
- Strong public image results in attracting new investors.

Ethics practices support employee growth

- Ethics in the workplace helps employees face reality, both good and bad in the organization.
- Employees feel full confidence and therefore they can deal with any sort of situation.

Strong teamwork and high productivity

- Constant check and dialogue will ensure that the employee matches to the value of organization which will in turn results in better co-operation and increases productivity.

Build trust with key shareholders

- Implementation of ethics helps organization to gain trust of their shareholders.
- Shareholders feel confidence that company is well monitored.



High Profits

- Business ethics create high returns or profits for the company.
- Reputation of the company and its share prices also increase if the company acts upon corporate social responsibility (CSR).



Business Ethics & Good Governance

- Most of the benefits received from business ethics are the goals of corporate governance.
- Thus we can say that ethics have a strong impact on corporate governance and the implementation of business ethics can ensure good governance.



TECHNIQUES TO IMPROVE ETHICAL PRACTICES



Efforts at Institutional Level

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Efforts at Government Level

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Efforts at Social and Religious level

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At Institutional Level

Ethical code of conduct:

“Handbook containing the rules, regulations and procedure to be followed by the employees of an organization”.

Ethics committees:

Ethics committees are formed for influencing the ethical conduct of business on a permanent basis.



Transparency in working:

The procedure, rules and policies of a business organization should not be kept so secret.

Penalties:

Criminal and monetary punishments may be given to those who neglect the ethical code of conduct.

Efforts At The Government Level

Clear cut policies and working procedures:

Due to unclear policies and procedures of working, certain business people adopt corrupt practices, for taking advantages of the situation.

Strict penalty provisions:


Strict penalty provisions especially in the Companies Act, 1956 must be altered so as to give more criminal and monetary punishments.

At The Social And Religious Levels

- A businessman who follows the unethical conduct in business should be socially boycotted by the people.
- Social service institutions should take effective steps to bring in the notice of authorities of such businessmen who act on unethical grounds



HOW ETHICS CAN MAKE CORPORATE GOVERNANCE MORE MEANINGFUL?

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- •Good corporate governance should look at all
 - stakeholders and not just shareholders alone.
 - •Corporate governance is something **WHICH**
 - **COMES FROM WITHIN!**
 - •The provisions of companies act should be
 - followed both in letter and spirit.



Thank
you