# BUSINESS ETHICS

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## Meaning of Management Ethics:

**'Management Ethics'** is related to social responsiveness of a firm. It is "the discipline dealing with what is good and bad, or right and wrong, or with moral duty and obligation. It is a standard of behaviour that guides individual managers in their works".

"It is the set of moral principles that governs the actions of an individual or a group."

Business ethics is application of ethical principles to business relationships and activities. When managers assume social responsibility, it is believed they will do it ethically, that is, they know what is right and wrong.

**Ethical Activities:**

Amongst a host of ethical activities that managers can perform, a study conducted by Barry Posner and Warren Schmidt highlights the following ethical activities observed by managers:

- The foremost goal of managers is to make their organizations effective.
- Profit maximisation and stakeholders' interests were not the central goals of the managers studied.
- Attending to customers was seen as important.
- Integrity was the characteristic most highly rated by managers at all levels.
- Pressure to conform to organizational standards was seen as high.
- Spouses are important in helping their mates grapple with ethical dilemmas.
- Most managers seek the advice of others in handling ethical dilemmas.

**Types of Management Ethics:**

Three types of management ethics or standards of conduct are identified by Archie B. Carroll:

1. **Immoral management:** It implies lack of ethical practices followed by managers. Managers want to maximize profits even if it is at the cost of legal standards or concern for employees.

2. **Moral management:** According to moral management ethics, managers aim to maximize profits within the confines of ethical values and principles. They conform to professional and legal standards of conduct. The guiding principle in moral management ethics is "Is this action, decision, or behavior fair to us and all parties involved?"

3. **Amoral management:** This type of management ethics lies between moral and immoral management ethics. Managers respond to personal and legal ethics only if they are required to do so; otherwise there is lack of ethical perception and awareness.

**There are two types of amoral management:**

**(a) Intentional:** Managers deliberately avoid ethical practices in business decisions because they think ethics should be followed in non-business activities.

**(b) Unintentional:** Managers do not deliberately avoid ethical practices but unintentionally they make decisions whose moral implications are not taken into consideration.

**Guidelines for Ethical Behaviour:**

Though every individual and group has a set of ethical values, the following guidelines are prescribed by James O'Toole in this regard:

**1. Obey the law:** Obeying legal practices of the country is conforming to ethical values.

**2. Tell the truth:** Disclosing fair accounting results to concerned parties and telling the truth is ethical behaviour of managers.

**3. Respect for people:** Ethics requires managers to respect people who contact them.

**4. The golden rule:** The golden business principle is 'Treat others as you would want to be treated'. This will always result in ethical behaviour.

**5. Above all, do no harm:** Even if law does not prohibit use of chemicals in producing certain products, managers should avoid them if they are environment pollutants.

**6. Practice participation – not paternalism:** Managers should not decide on their own what is good or bad for the stakeholders. They should assess their needs, analyze them in the light of business needs and integrate the two by allowing the stakeholders to participate in the decision--making processes.

**7. Act when you have responsibility:** Actions which cannot be delegated and have to be taken by managers only (given their competence and skill) must be responsibly taken by them for the benefit of **the organisation and the stakeholders.**