M.Com-402

Business Ethics & Corporate Governance

Uttar Pradesh Rajarshi Tondon open University

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Block

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Block 1- An Overview of Business Ethics

PEPE-052 / ETH -093 /ETH -106

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BLOCK 1: AN OVERVIEW OF BUSINESS ETHICS

In **Block 1** you would learn an overview of business ethics; nature & development of business ethics; economic & competitive issues; framework for ethical decision making and corporate governance: a dimension of ethical making.

Unit 1 discusses definition and nature of business ethics, need and benefits of business ethics, history of the development of business ethics, and arguments for and against business ethics.

Unit 2 explains economic issues, competitive issues, legal, regulatory and philanthropic issues.

Unit 3 deals with the individual factors; individual character, psychological influences, moral development; organisational factors; organisational culture, internal set-up of influences, and external influences.

Unit 4 covers dimensions of ethical making; characteristics of good ethical making, hurdles in the ethical making process, relevance, principles and managerial skills.

UNIT 1: NATURE & DEVELOPMENT OF BUSINESS ETHICS

UNIT FRAMEWORK

1.1   PURPOSE

The objectives of this unit are:

- To discuss the nature of business ethics
- To discuss the relevance of business ethics
- To explain the history of the development of business ethics
- To discuss the arguments for and against business ethics

1.2   DEFINITION AND NATURE OF BUSINESS ETHICS

The term business ethics is a combination of two words, business and ethics. Before going to explain the business ethics it is necessary to understand business and ethics separately. Business means all the creative human activities which are related to goods and services for satisfying human wants amounting to business and ethics is concerned with what is right or good for individuals and society. It is also described as moral philosophy. Now it can be said that business ethics means conducting a business with a human touch in order to ensure welfare of the society vis a vis investors' interest.

The word "ethics" is derived from the Greek word 'ethos' which means 'character', and from the Latin word 'mores' which means 'customs' and together it defines how individuals choose to interact with one another.

1.2.1 DEFINITION OF BUSINESS ETHICS

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There are many definitions of business ethics given by different authors like Andrew Crane, Raymond C. Baumhart and Thomas M. Garett some of the most appropriate are as follows:

According to Wikipedia,

"Business ethics (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organisations."

According to Andrew Crane,

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

According to Raymond C. Baumhart,

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

According to Garett,

"Business Ethics is primarily concerned with the relationship of business goals and techniques to specific human needs".

So business ethics can be defined as applied ethics that studies ethical principles, business situations, activities, decisions, moral and ethical problems that take place in the business environment.

1.2.2 NATURE OF BUSINESS ETHICS

The nature of business ethics refers to the standard characteristics of human behaviour in its definition as its core concept. Business ethics is known as the nature of business ethics. It deals with the corporate sector in various points related to the ethics of business. There are various features of business ethics which are as follows:

1.2.2.1 **Code of Conduct:** Business ethics is a code of conduct. What is to be done for the welfare of society and what to do? All traders must follow this code of behaviour. Based on moral and social values; business ethics is based on moral and social evaluation. It has moral and social norms for doing business. This includes self-control, consumer protection, and welfare, community service, fair treatment of social groups, exploitation of others, etc.

1.2.2.2 **Ethical Values:** Business ethics is totally focused on the morality factor because, in today's world, community firms play a vital role in society and its actions are directly affected by the welfare and well-being of the

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society. Business affects society in terms of which type of products it supplies and produces.So, that is the reason, that the business community conducts its activities with self-check, self-inspection, self-control, self-sacrifices and also always keeping in mind the ethical values of community and the society.

1.2.2.3 **Relative Term:** Ethics is a term of relation with the concept of morality and immorality. It differs from an individual to an individual, society to society, culture to culture, and country to country. It helps to define the moral and immoral terms of business ethics.

1.2.2.4 **The interest of Society:** In these lines business should first do excellent contribution to society and community and then to itself because social welfare is also the objective of a business.Business is an important institution and it has various social responsibilities to protect the category of all formal or informal groups which are directly or indirectly related to the organisation like employees, shareholders, consumers, and many other stakeholders also to contribute to the growth of the business.

1.2.2.5 **Business Social Relationship**

1.2.2.6 **Provides the framework:** Business is an institution which includes various social and economic rules and regulations. Business is always trying to restrict its activities (formal or informal) within the limits of the social, cultural, regional, religious, and economic environments.

1.2.2.7 **Facilitates the protection of social groups:** Business ethics is a type of code of conduct which includes the guidance, norms and behaviour of an individual i.e., how to behave, how to follow the norms, how to improve yourself, and so on. It gives protection to consumers and other social members such as shareholders, society, and employees.

1.2.2.8 **Not against profit-making:** Business ethics is not against real or fair profit making. However, it is totally against those profits which are earned by cheating and exploiting their customers, employees, and investors. It helps support business activities but by accurate or fair means and not through illegal activities.

1.2.2.9 **Needs willing acceptance:** Business ethics cannot be forced by law and other pressure measures. It must be accepted as self-indulgence by any businessman. It should come from the inner part of the soul. Businessmen follow the guidelines of ethical trade activities by themselves and not by force of any law.

1.3 NEED AND BENEFIT OF BUSINESS ETHICS

1.3.1 NEED OF BUSINESS ETHICS

It is necessary to observe business ethics for the following reasons:

1. **Existence of the Corporate Division:** Unethical practices of businessmen will lead to the closure of business units. The closure of a business unit does not only create problems to business but also to employees and the society in general. Businessmen do not maximise the profit at the cost of existence of a business unit. The behaviour of a businessman is affected by some of the factors such as leadership qualities, integrity, knowledge, skills, influence and exercising power. Businessmen should protect their units in all respects.

2. **Development of Corporate Division:** Business ethics ensure the growth of a business. Whenever a businessman observes ethics strictly, definitely the particular business unit will get developed. A business cannot run in such a manner, which is detrimental to the interest of society or business itself. So there should be some business ethics for the growth of a business.

3. **Making Goodwill:** If business ethics are properly followed by a business, automatically that particular business unit earns a good name in the public.

4. **Extending the Assurance:** Business ethics are necessary to improve the confidence of the customers, employees and the like. If confidence is infused, customers and employees will popularize the name of the particular business unit.

5. **Retaining Inter-relationship:** No business functions independently. Each business has a close relationship with another business even though the nature and size of the other business differs. It is expected that each business unit should have a smooth relationship with others. The inter-relationship of business is maintained by adopting business ethics.

6. **Resolving Societal Difficulties:** If a businessman observes ethics in his business, the public will not have any difficulty in getting their wants fulfilled. There is no bargaining between the businessman and public. There is a fair treatment of an employee by him. This will avoid social problems like strike, lockout etc.

1.3.2 BENEFIT OF BUSINESS ETHICS

Earlier we discussed business ethics concerned with doing a business with a human touch along with society welfare and protection of investors' interest. Ethical people always make a difference between right and wrong and consistently make every effort to maintain a good conduct. So there are so many benefits which are described as under:

1.3.2.1 Attract and Retain Talented Employees: Individuals seek to join associations that have high moral qualities. Organisations can draw with their best ability and moral values devoted to dealing with its representatives. Fairly remunerated workers are always committed to their work and organisation. Moral and ethical efforts result in effectiveness and efficiency. Associations make a situation that is reliable, making workers ready to depend, take choices and follow up on the choices and activities of the co-representatives. Talented people at all levels of an association need to be remunerated decently for their work and devotion. They need professional success inside the association to be founded on the nature of the work they do and not otherwise. They need to be placed in an organisation whose supervisory group comes clean with them about what is happening. In such a workplace, representatives can hope to be treated with deference just like their partners and bosses. It develops solid cooperation and Productivity.

1.3.2.2 Customer Loyalty: Investors are worried about moral values, social duty and notoriety of the organisation in which they contribute. Investors are turning out to be increasingly more mindful that a moral atmosphere gives proficiency, efficiency and benefits to the establishment. Relationship with any partners, including financial specialists, in light of reliability, trust and duty brings about supported steadfastness. Having a steadfast client base is one of the keys to long-run business achievement, since serving a current client doesn't include showcasing costs, though getting another one does.

1.3.2.3 Customer Satisfaction: Consumer loyalty is a crucial factor in effective business operations. The name of an organisation ought to summon trust and regard among clients for suffering achievement. This is accomplished by an organisation that embraces moral practices. At the point when an organisation in view of its confidence in high moral values, is seen considering all activities ethically, any emergency or incidents en route is endured by the clients as a minor abnormality. Such organisations are additionally guided by their moral values to endure a basic circumstance suitable for business. Favoured qualities are distinguished guaranteeing that hierarchical practices are lined up with those qualities. An association with a solid moral condition puts its clients' advantages as prominent. Moral values direct towards clients which build a solid serious position. It advances a solid open picture.

1.3.2.4 Enhancement of Company Reputation: An organisation's image for business ethics can assist it by making a progressively positive picture in the commercial prospect, which can get new clients through verbal referrals. Then again, notoriety for deceptive dealings harms the organisation's odds to acquire new clients, especially in this period of long range interpersonal communication when disappointed clients can rapidly scatter data about the antagonistic experience they have.

1.3.2.5   Healthy Work Environment: Workers have an obligation to be morally committed from the very beginning. They should speak the truth about their abilities and experience. Moral representatives are seen as cooperative people as opposed to the people simply out for themselves. They create positive associations with colleagues. Their bosses trust them with classified data, and they are frequently given more self-governance accordingly.

Representatives who are trapped in lies by their chiefs harm their odds of headway inside the association and may even run the risk of losing jobs. An outrageous instance of poor moral values is worker robbery. In certain enterprises, this can cost the business heavily. One methodology morally sound organisations take is to keep away from this kind of conduct and to prepare each individual for the lead that is anticipated in this given moral values.

1.3.2.6   Regulators: The regulators need not monitor the working of the morally and ethically sound organisation. The organisation procures benefits and reputational gains in the event that its demonstrations remain inside the limits of business moral values. To outline, organisations that are receptive to representatives' needs have lower turnover in staff.

- Shareholders want the return on their invested money in the form of a dividend. They expect a certain level of return which is equal to the normal rate and adding further with business risk.

- When a customer's needs are fulfilled regarding goods and services in the right way. It enhances a company's reputation.

- Employees give their skills, efficiency, time, and energy and the organisation gives to them reward in form of salary, bonus, career progression, and further meaningful learning.

1.3.2.7   Avoid Legal Problem: Now and again, an organisation's administration might be enticed to compromise in quest for benefit, for example, by not completely conforming to natural guidelines or work laws, overlooking labour security risks or utilizing inadequate materials under its jurisdiction. The punishments for being at fault can be extreme, including lawful charges and fines or any other appropriate action. The subsequent negative exposure can cause long-run harm to the organisation's image that is considerably more exorbitant than legitimate charges or fines. The benefits of business moral values become completely clear in these circumstances since organisations that keep up the most noteworthy moral measures are probably not going to wind up their business in such circumstances.

1.4   HISTORY OF THE DEVELOPMENT OF BUSINESS ETHICS

- The business is developing gradually and business ethics also evolved along with the same. As time passes the norms evolve because of the accepted behaviours for better outcome. In the early 1970, the term 'business ethics' came into general use in the United States.

- By the mid-1980s courses in business ethics came up in big ways in several undergraduate, post-graduate and diploma programmes.

- The Society for Business Ethics was established in 1980. European business schools embraced business ethics after 1987 starting with the European Business Ethics Network. In 1982 the first single author book in the field also came up.

- Firms started featuring their moral heights in the late 1980s and mid-1990s, conceivably trying to separate themselves from the business outrages of the day, for example, the investment funds and credit emergency.

- The idea of business ethics grabbed the eye of scholastics, media and business firms before the end of the Cold War. Nonetheless, analysis of strategic approaches was assaulted for encroaching the opportunity of business visionaries and pundits were blamed for supporting socialists. This abandoned the talk of business moral values both in media and academia.

- The Defense Industry Initiative on Business Ethics and Conduct (DII) was made to help corporate moral leadership. This period started the conviction and backing of self-guideline and unhindered commerce, which lifted taxes and obstructions and permitted organisations to blend and strip in an expanding worldwide climate.

1.5 ARGUMENTS FOR AND AGAINST BUSINESS ETHICS

All over the world, changes are always taking place at each and every level. The development of mindfulness, improvement of innovation, development of new measurements and changes in the mentality are the significant explanations behind the quick development of these changes. This circumstance has likewise developed as an open door for the development of ethical standards and practices.

1.5.1 ARGUMENT FOR BUSINESS ETHICS

There may be following arguments in favour of business ethics

1.5.1.1 Survival of Business: Business can survive in a better way with business ethics i.e. the survival of business cannot be possible without ethics in good manner. Any individual business will collapse if its managers,

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employees, and customers think that it is morally permissible to steal from, lie to, or break their agreements with the business.

1.5.1.2   Consistent with Business Objectives: Ethics should be brought into businesses ensuring that ethical considerations are consistent with business pursuits, in particular with the pursuit of profits and expansion. That ethics is consistent with the pursuit of profit and it can be shown by simply finding examples of companies where a history of good ethics has existed side by side with a history of profitable operations.

1.5.1.3   Business Effectiveness: Under this approach a business can run at its full potential. It enables the business to run at full potential in place of simply having strong areas and weak areas. Ethics develop the ability to assess the benefits and problems associated with different ways of managing ethics in organisations. It also improves the knowledge that transcends the traditional framework of business studies which have focused on the relevance of ethics in business.

1.5.1.4   Customer Satisfaction: Good ethics directs that a sales representative should assist clients in finding the most appropriate item for their requirements, not really the one that outcomes in the best income or most noteworthy overall revenue for the organisation. Clients value it when partners require some investment to discover their particular needs - to regard them as people. Definitely addressing client needs converts into higher customer loyalty and long run loyalty.

1.5.1.5   Investor Reliability: Ethics adds to investor loyalty since representatives spend a lot of their strolling time at work, a responsibility by the association to altruism and regard for its representatives and their help for its destinations because employees spend a considerable amount of their time at work, a commitment by the organisation to goodwill and respect for its employees and their support for its objectives.

1.5.1.6   Employee Dedication: Loyalty implies that a worker is committed to render "steadfast and dedicated" support of the business, to act with "great confidence," and not to rival but instead to propel the business' advantages. How much the responsibility of loyalty exists is typically identified with the level of duty or trust a business puts in a worker. More trust approaches a more grounded responsibility. Employee's dedication and loyalty are more in ethical business.

1.5.1.7   Shifting Attitude of Shareholders: Ideas of ethics and social duty, as a reasonable business connection, lead to the production of a positive atmosphere, a conviction that all is good and trust that will empower the equalisation between business prerequisites and the ethical requests of all partners ought to be kept up. The ethics create positive changes in thinking of shareholders regarding organisation.

1.5.2 ARGUMENTS AGAINST BUSINESS ETHICS

- Though it is done very, very infrequently now-a-days, some authors and philosophers, nonetheless, do tend to put forward the arguments that businesses being economic entities, should have nothing to do with moral values (i.e., with what people do) or ethics (what people ought to do).

- They argue that businesses should assume no other responsibilities, other than to produce goods and services efficiently and to maximise profits for the shareholders. They believe that business being economic entities, only economic values should be their guiding principles and the sole determinant of their performances.

- People at that time feared that any altruism or ethical conduct or embracing of any moral philosophies by the organisation would lead it to sacrifice its efficiency and productivity; and the competitiveness of the marketplace would fade away. Nothing could be further from the truth.

- Having realised this, more and more business organisations are today accepting business ethics as part and parcel of their daily business conduct. And to their astonishment and delight, they have found that being ethical and moral has given them a unique edge and advantage in the marketplace.

- Moreover, their employees, executives and managers have felt proud to belong to such organisations. For, goodwill, loyalty, genuine pride, and above all, mental peace cannot be calculated accurately in terms of money.

There may be the following arguments against business ethics.

- Business operation is forced by demand and supply only.

- There may be conflict of interest due to this.

- Profit is the main objective of any business.

- There may be much complication of law.

- In a free market economy, the quest for benefit will guarantee the most extreme social advantage so business ethics isn't required.

- A manager's most significant commitment is dependability to the organisation paying little heed to ethics.

1.6   SUMMARY

This unit has talked about different elements of the theory of business ethics. It has discussed the nature of business ethics like code of conduct, universal, moral and social value, protection to social groups, dynamism etc. and described in detail about the need and benefit of business ethics. There are so

many benefits which are discussed one by one. It attracts and retains talented and good employees, enhancing employee's loyalty, creates customer loyalty, satisfies the customer needs, enhances the organisation reputation, creates a healthy work environment, satisfies regulators, and avoids legal problems all have been discussed as benefits of ethics. The evolutionary stage of business ethics is also explained. The business is developing gradually and business ethics has also evolved as business. As time passes the norms evolve because of the accepted behaviours to become a pleasant environment. Finally we have discussed the arguments supporting business ethics i.e. survival of business, higher profits, holistic approach, customer satisfaction, investor reliability, employee dedication and shifting attitude of shareholders and latter arguments against business ethics are discussed.

1.7   KEY WORDS

Code of conduct: It tells what to do and what not to do for the welfare of the society

Company reputation: An organisation's image for business ethics can assist it by making a progressively positive picture in the commercial context, which can get new clients through verbal referrals.

Holistic approach: Under this approach a business can run at its full potential

Loyalty: It implies that a worker is committed to render "steadfast and dedicated" support to the business, to act with "great confidence," and not to be a rival but instead to propel the business' advantages.

1.8   SELF-ASSESSMENT QUESTIONS

Q.1.   Define the term business ethics.
Q.2.   Describe the nature of business ethics.
Q.3.   Describe the relevance of business ethics.
Q.4.   What are the benefits of business ethics?
Q.5.   Describe the evolutionary stage of business ethics in brief.
Q.6.   Describe the various arguments for business ethics.
Q.7.   Describe the various arguments against business ethics.
Q.8.   Describe the salient features of business ethics.

1.9   TEXT & REFERENCES

- Landue, Russ Shafer: The Fundamentals of Ethics, (2010) Oxford University Press.
- Fernando, A. C.:Business Ethics: An Indian Perspective 2nd Edition, (2013), Pearson India.
- Rachels James, Rachels Stuart: The Elements of Moral Philosophy, (2012) McGraw- Hill's Education.

UNIT 2: ECONOMIC & COMPETITIVE ISSUES

UNIT FRAMEWORK

2.1   PURPOSE

The objectives of this unit are:

- To discuss the Economic and Business issues of business ethics
- To discuss the Legal, Regulatory and Philanthropic issues of business ethics

2.2   ECONOMIC ISSUES

The goal of economic aspects is to expand the economic development through expanded creation and utilisation of merchandise and enterprises. The distinguishing proof of clients' needs towards the creation of such necessities, meeting their prerequisites and following the moral methods for accomplishing these and producing benefits to an association is unquestionably not a simple task. Thus the open money related framework quickens economic development by empowering unfamiliar capital inflow. This empowers more significant levels of reserve funds, investments, work, efficiency and government assistance boosting a solid economy. Political economy and political way of thinking have moral ramifications, especially with respect to securing economic advantages. Once these are dealt with, we can locate the economic conditions praising the hierarchical development. Hence the investigation relates to comprehending the suggestions on the business and the economic development by following moral values vis-à-vis executing a moral method of business. Development may be moderate, however unquestionably not broken and it is clear to be steady and remunerating on the whole. Business associations were made as economic elements intended to give products and ventures to culturally sound individuals. The benefit intention was built up as

the essential motivation for enterprise. The business association was the essential financial unit in the general public. The guideline function of any business was to create products and enterprises that buyers required and needed to make an adequate benefit through the fair treatment. At a large number of the occasions the rationale got changed into a thought of most extreme benefits and this has been suffering worth from that point. All different business responsibilities are anticipated and expected to be carried upon along with the economic responsibility of the firm.

2.3 COMPETITIVE ISSUES

On the off chance that it is business, it should have goals like profit maximisation and wealth maximisation. Satisfying these targets relies upon the associations capacities as far as imaginative, compelling business sector procedures and effective item/administration advancement. We barely find a purely monopolistic market. The market is exceptionally serious and has a free field of business trade where the objective of each is to accomplish the most extreme benefits to improve business. It calls for affective ability, status, forcefulness, savvy of the business firm and the basic faculty who comprises it. In a serious situation, it assumes an imperative job where an organisation's situating methodology characterises as to how it will contend in the commercial context. A compelling situating procedure thinks about the qualities and shortcomings of an association, the requirements of the commercial considerations and the position or status of the contenders. Moral viewpoints see all contenders to be on a similar serious stage and everything done in the soul of rivalry is viewed as acceptable and right. There is no set in stone separated from what a business contender insight fully considers to be correct or wrong in the light of what is valuable and worthwhile to the association's enthusiasm to extend its assets for higher benefits. It additionally intends to rouse representatives to think about novel and more powerful methods of fulfilling clients' target.

2.4 LEGAL AND REGULATORY ISSUES

The lawful framework furnishes human culture with the basic principles of conduct yet in any case laws will not copy the worth arrangement of the general public. Laws are neither a copy of the moral framework nor the declaration of the ethical norms of the general public. They simply furnish us with the rules of conduct for a trained, tranquil and a protected society which anticipates that business should maintain law which is dared to be a moral conduct. Researchers George and John Steiner have recognised six essential wellsprings of moral values in the American business field. To be specific the Genetic legacy which weighs on the transformative powers of regular determination impacting the advancement of characteristics, for example, co-activity and benevolence that lie at a centre of our moral frameworks. Those

characteristics of goodness regularly connected with moral lead may in certain measures be a result of hereditary attributes reinforced after some time by the transformative cycle. Epicurean's alternative philosophical framework, which derives the essence of pleasures from a proof that is a moral proportion of their decency.Stoics, like the Puritans and many modern Americans, maintained a thoughtful, devoutly frugal style of living that has played an important role in the social order of moral events.The third and the similarly significant being the Codes of lead talk that so as to act with respectability; a firm should initially express its qualities and needs. The most predominant type of significant worth verbalisation and correspondence is corporate mission, set of principles and moral values. When the firm has characterised its individual worth and structure the individual chiefs inside the firm have direction regarding troublesome situations. Codes may allude to general zones of business lead or may apply to a particular zone of the business organisations. There are sure standard and legitimate guidelines to run business and associations and it is held that business isn't limited by any moral values other than maintaining the law. As a result, it is always necessary to have moral ideals and legal guidelines that are both related and objective.Milton Friedman is the pioneer of the view and his feeling was "business associations will have commitments to make a benefit inside the structure of the legitimate framework. Moral values as he felt are simply maintaining traditions and laws and he made it unequivocal that the obligation of the business chiefs is, "to get however much cash-flow as could be expected while adjusting to the fundamental standards of the general public, both those encapsulated in the law and those epitomized in moral custom". Counter to Friedman's rationale it is seen that lawful techniques are regulatory, inflexible and compulsory while moral act is intentional selection of associations to pick and follow. So as it is proven in numerous corporate outrages that notwithstanding having administrative limits, associations do defy the essential norm of the game. Moral values as an intentional approach to oversee business offers legitimate reasons based on past lawful laws to work together. Following legitimate issues are only obeying laws and guidelines set up by the government to set least principles of satisfactory conduct by the associations. Laws are passed on the grounds that society doesn't generally believe businesses to act to their greatest advantage defending the rights and obligations of people and criminal law disallows explicit activities and forces discipline for violating the law.

2.5 PHILANTHROPIC ISSUES

The word Philanthropy is a Greek expression which if straightforwardly deciphered signifies "love of humankind." It is a thought, occasion or activity that improves mankind and typically includes some caring penance instead of being accomplished for a benefit intention. Magnanimity includes those corporate activities that are because of social orders and desires that

organisations be acceptable corporate residents. Demonstrations of generosity incorporate demonstrations of projects to advance human government assistance or altruism giving cash to a cause, chipping in a neighborhood safe house, or fund-raising for a common cause. Corporate giving or corporate generosity is the demonstration of enterprises giving a part of their benefits or assets to different non-benefit associations. The capacity of corporate giving can be taken care of straightforwardly by the organisation or through an organisation establishment. The most well-known asset that enterprises give is money. Anyway enterprises additionally allow the utilisation of their corporate offices, property, (for example, utilised PCs, structures or land), blessings of items, administrations gear up, publicising support, chief advances, and numerous partnerships have representative volunteer gatherings that give their time. Several networks want their organisations to contribute in cash, offices and their worker time towards compassionate projects and purposes. Despite that, it isn't viewed as the organisation's dishonest conduct on the off chance that they don't give the ideal level of support. Partnerships provide for a wide assortment of charitable associations contribution regarding instruction, expressions, human administrations, wellbeing, condition safeguarding and mindfulness, open advantage and numerous others. In a more extensive sense it likewise alludes to business commitment to society, personal satisfaction issues, capable creation of merchandise and administrations, innovation improvement without harming the earth and furthermore improving their networks support to live. Building structures of the Tata's, the development of the region where their plants are built up (transport stops, open nurseries, latrine facilities, tidiness estimates etc.)Encouragement of inclusion of the workers of Infosys and Wipro and so on in social exercises and compensating them is a feeling of making the ability among people to take an interest and contribute in such activities. There is a need to include advancement practices and imagination other than just limiting one's own life and achievement. The most ideal approach to make this embodiment is an activity taken by corporates who try and rouse their representatives in such exercises and make it a required work. Subsequently altruism is more willful with respect to organisations. At last business is relied upon to be a decent corporate wherein business is required to contribute budgetary and HR resources to the network and to improve the personal satisfaction thereof.

2.6   SUMMARY

This Unit covered different issues related to business ethics. We have discussed economic issues of business ethics which empower more significant levels of reserve funds, investments, work, efficiency and government assistance boosting an economy. After discussing economic issues of business ethics we have discussed other related issues like competitive issues, legal & regulatory and philanthropic issues. When we talk about competitive issues, now the time

is monopolistic competition and every business wants to make maximisation or wealth maximisation. Every business wants to create some novel and creative things tosatisfy its objective. Under legal & regulatory issues, it says laws are likewise neither a copy of the moral framework nor declaration of the ethical norms of the general public. They simply furnish us with the rules of conduct for a trained, tranquil and a protected society which anticipates that business should maintain law which is dared to be a moral conduct. Lastly we have discussed the most ideal approach to make this embodiment as corporates who try and rouse their representatives in such exercises and make it a required work.

2.7 KEY WORDS

Benevolence is the act of giving help to the needy business organisation or person.

Reinforcement strengthens the idea or opinion.

Demonstration is the act of showing characteristics of products or services that show how to do something or how something works.

Embodiment is the representation or expression of something in a tangible or visible form.

2.8 SELF-ASSESSMENT QUESTIONS

Q.1. Discuss the issues related to business ethics in detail.

Q.2. Describe the economic issues of business ethics.

Q.3. Describe the competitive issues of business ethics..

Q.4. Distinguish between economic issues and competitive issues.

Q.5. Describe the legal and regulatory issues of business ethics.

Q.6. Describe the Philanthropic issues of business ethics.

Q.7. Distinguish between legal & regulatory and philanthropic issues.

Q.8. Discuss the role of different issues in business ethics.

2.9 TEXT & REFERENCES

- Rachels James, Rachels Stuart: The Elements of Moral Philosophy, (2012) McGraw- Hill's Education.

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- Sharmila A., Senthikumar, Dr. S., J Purnima& M. MaruthaDurai, Business Policy and Strategic Management (2013) S. Chand Publishing, New Delhi.
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UNIT 3: FRAMEWORKS FOR ETHICAL DECISION MAKING

UNIT FRAMEWORK

3.1   PURPOSE

The objectives of this unit are:

- To discuss the individual factors for ethical decision making
- To discuss the organisational factors for ethical decision making

3.2   INDIVIDUAL FACTORS

Individual factors play a significant role in ethical decision making. The qualities and standards learned through associating with individuals throughout life will help impact the decision making process. In ethical decision making the individual factors are concerned with individual character, psychological influences, and moral development which are discussed below one by one.

3.2.1   INDIVIDUAL CHARACTER

When we talk about the Individual character, these are descriptive attributes of an individual such as age, gender, maturity, education, decision style, work experience, nationality, and locus of control in life. These all attributes are influencing our moral perceptions and ethical manners. These all are discussed as under.

3.2.1.1   **Age:** Age is a period of human life which is measured in years from birth. Older people may be more ethical in decision making. Sometimes younger people deliver ethical judgments than older people. Thus many a time's age does not play a significant role in ethical decision making.

3.2.1.2 **Gender:** Gender is a meaningful factor in ethical decision making. There are some natural differences between men and women and this difference may render different approaches in ethical decisions. A woman tends to exhibit higher levels of ethical decision making in comparison to men. Kidder (2002) added that men are more task oriented while women are expected to be more relation oriented.

3.2.1.3 **Maturity:** Maturity is the integral part of individual characteristics which play a significant role in ethical decision making. A mature person may be more ethical in decision making. Some people, even as children or teenagers, have more ethical and higher maturity than others. Maturity is not necessarily related to chronological age. Maturity renders ethical manners. A mature person can easily understand whether something is good or bad and take ethical decisions accordingly.

3.2.1.4 **Education:** Education is one of the most important characteristics which can play a very important role in ethical and higher decision making. A person with high education tends to be a better ethical decision maker. Higher levels of education might persuade people to be more ethical.

3.2.1.5 **Decision Style:** The style under which a person takes a decision may be one of the important segments in the ethical decision making process. A person with a balanced thinking style may be more ethical in decision making.

3.2.1.6 **Work Experience:** Experience makes people more mature, more cultured and more knowledgeable. So a person with more experience tends to be more ethical decision makers.

3.2.1.7 **Nationality:** Nationality is also one of the important segments for ethical decision making scenarios. For example Japanese people do think individualistically and they always think about their nation image which tends to be more ethical in decision making.

3.2.1.8 **Locus of Control:** It refers to how firmly individuals accept that they have authority over the circumstances and encounters that influence their lives. An internal locus of control tends to be more effective in ethical decision making.

3.2.2 PSYCHOLOGICAL INFLUENCES

3.2.2.1 **Conformity:** Conformity is the craving to be viewed common with most of those in a gathering in the corporate world. Secondary school understudies are infamous casualties of congruity. Be that as it may, even among grown-ups, attraction to fit in can be difficult to deny. On the off chance that compromising and recording bogus cost reports is the manner by which

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most representatives work inside an organisation, the weight will be extraordinary to accommodate to the others.

3.2.2.2 **Commitment:** Commitment is intently attached to conformity. Individuals from any gathering are required to be focused on the objectives of that gathering. On the off chance that administration accepts a worker is conflicted in relation to the organisation's objectives or techniques for accomplishing them, endeavours might be made to get that representative to acclimate. Brutal assessments, absence of headway, downgrades, and the danger of excusal are potential strategies. An ethically upstanding representative, constrained by an official to compromise on work quality, may make some hard memories opposing the words you are with us or not.

3.2.3 MORAL DEVELOPMENT

Moral development is the level of advancement that an individual has with regards to recognising if an activity is ethically right. As indicated by Lawrence Kohlberg, whose hypothesis of good advancement has affected numerous masterminds on this point, we go through a progression of stages in life in regards to our capacity to reason about ethically great and awful conduct. The accompanying figure outlines Kohlberg's hypothesis. The more exceptionally built up our reasoning, the more competent we are seeing the more extensive effects of our choices and the more all-inclusive issues included. An individual working in Kohlberg's most minimal (least difficult) phases of thinking would pass judgment on good and bad depending on how the choice would influence that person. Right activities are those that lead to positive outcomes or the absence of negative ones for the person.

As individuals progress in their reasoning, but are still in the middle stage, they become able to judge right and wrong in terms of the society in which they exist. There is the understanding that a society cannot function without a set of rules, based on morality, by which we must conduct ourselves.

3.3 ORGANISATIONAL FACTORS

In spite of the fact that individuals must settle on moral and legitimate choices at work, it is additionally obvious that they frequently settle on these choices with regards to boards of trustees and gatherings, and through conversations with associates. Choices in the work environment are guided by an organisation's culture and the impact of others-colleagues, bosses, and subordinates.

3.3.1 ORGANISATIONAL CULTURE

Organisation, similar to social orders, has societies that incorporate a common arrangement of qualities, convictions, objectives, standards, and approaches to tackle issues. Over the long haul, an association comes to be viewed as a living creature, with a psyche and will of its own. Albeit most hierarchical societies

strengthen moral values, a few associations, as Tyco, make a culture that bolsters dishonest choices. In the event that an organisation determines a large portion of its benefits from unscrupulous or criminal operations, people who join this association will make some troublesome memories enduring except if they also take an interest in these exercises. Critically, it's not the formally announced culture as that issue but rather the rehearsed one. Numerous official culture proclamations notice human nobility and prosperity as foundations of the organisation. However, the directors really make the corporate culture alive by the manner in which they conduct and run the organisation.

The moral atmosphere of an organisation is a huge component of hierarchical culture. An organisation's culture builds up goals that direct a wide scope of part practices, the moral atmosphere centres explicitly around issues of good and bad. The moral atmosphere of an association is its character or inner voice. Set of principles and moral values arrangements, top administration's activities on moral issues, the qualities and good turn of events and individual good methods of reasoning of colleagues, and the open door for wrongdoing all add to an association's moral atmosphere. Truth is told, the moral atmosphere really decides if certain issues and choices are seen as having a moral part.

Organisations can manage their culture and ethical climate by trying to hire employees whose values match their own. Some organisations even measure potential employees' values during the hiring process and strive to hire individuals who "fit" within the ethical climate rather than those whose beliefs and values differ significantly.

In any case, people may have restricted chances to apply their very own moral values to the executive frameworks and dynamics that happen in the association. Moral authority requires seeing prescribed procedures for authoritative moral consistency and a pledge to construct a moral atmosphere. After some time, an association's inability to screen or deal with its way of life may encourage flawed conduct. Now and again whole ventures build up a culture of particular treatment and narcissistic voracity. The common store associations give support to stock investment the option to make visit exchanges. Firms, for example, Janus, Alliance Capital, and Pilgrim abused their own standards and now have legitimate issues.

3.3.2   INTERNAL SET-UP OF INFLUENCES

Managers are definitely a key component of numerous systems of impact inside an organisation. Be that as it may, a few connections and collaborations among people and gatherings are autonomous of the supervisors. In any of these cases, top administrators, despite everything, need to ensure that in both formal and casual systems, the obligation is appropriately credited, and that people don't adjust to the gathering's desire to the detriment of individual good consultation. This, we see as an especially testing task for top officials. An

OMS that cultivates great conduct of people is where the impact of the system on close to home conduct is either solid or constructive or not but takes into account singular good thinking. Administrators once in a while can contribute thereto legitimately. They should attempt to profoundly get systems and gathering elements on the same page and afterward advance individual duty and common help of people to make great contributions.

3.3.3 EXTERNAL INFLUENCES

Outer establishments can have a huge impact on people inside an organisation, yet regularly those people influenced are supervisors themselves. In such cases, it is hard for singular supervisors to contradict the entire framework. Another case of an entrenched method to apply pressures on top administrators in broad daylight organisations is the quarterly budgetary detailing arrangement of correspondence with the monetary network. Speculators press for sure fire returns, while money related experts are a danger to the directors on account of conceivably negative suggestions (to financial specialists), which, thus, influence the offer cost and friends' expense of capital.

3.4 SUMMARY

In this Unit, we have talked about the framework for ethical decision making. We have discussed individual factors for ethical decision making like individual character, psychological influences, and moral development. In individual character different points are discussed like age, gender, maturity, education, decision style, work experience, nationality and locus of control. Conformity and commitment are discussed under the psychological influences.

After discussing individual factors for ethical decision making another category of factors i.e. organisational factors are discussed. In organisational factors different points like organisational culture, internal set-up of influences and external influences have been discussed.

3.5 KEY WORDS

Maturity is the individual characteristics which play a significant role in ethical decision making.

Locus of Control refers to how firmly individuals accept that they have authority over the circumstances and encounters that influence their lives.

Conformity is the craving to be viewed as common with most of those in a gathering.

Commitment is intently attached to conformity. Individuals from any gathering are required to be focused on the objectives of that gathering.

3.6 SELF-ASSESSMENT QUESTIONS

1. What do you mean by framework for ethical decision making?

2. Describe the individual factors for ethical decision making.

3. Describe in brief all the individual characters under individual factors for ethical decision making.

4. What are the psychological influences under individual factors?

5. Describe the moral development.

6. What do you mean by organisational factors for ethical decision making?

7. Describe the organisational culture under organisational factors.

8. Describe the external influences in brief.

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UNIT 4: CORPORATE GOVERNANCE: A DIMENSION OF ETHICAL MAKING

UNIT FRAMEWORK

4.1   PURPOSE

The objectives of this unit are:

- To discuss the dimension of ethical making
- To discuss the steps of ethical decision making

4.2   CORPORATE GOVERNANCE BEST PRACTICES

It is imperative that a business leader accepts the responsibility for each decision made regarding the performance of the entire organisation. Once a leader designs a code of conduct and ethics, the organisation must adhere to it and enable the entire organisation to observe the codes while promoting the key characteristics of good corporate governance.

1. **A CLEAR STRATEGY:** The best practices of corporate governance begin with setting up a clear strategy for the business. Take, for example, a boutique hotel, whose management needs to establish a clear strategy in order to make it a success. They will first need to conduct thorough research and find the niche market for their products. Once they identify the niche, they will create or modify the products as per the needs and demands of the target market. Based on these demands and needs, the management will design its marketing campaigns to reach the relevant customers. The entire flow of activities, starting from research to marketing must be pre-conceived and pre-planned in order to rule out errors and help the workforce to remain focused on the strategy.

2. **ORGANISATIONAL DISCIPLINE:** In order to run a business, it is vital to set policies and procedures for the organisation as a whole. However, these corporate policies are only effective if they are well-developed and thoroughly implemented in the system. The management of a business organisation invests time and hard work in developing a strategy that they can implement in order to access the market. If the management fails to mobilise their employees to implement such strategies, the business will fail. In order to achieve success in each initiative taken by the management, and to establish good corporate governance, it is necessary to implement the policies, strategies, resolutions and, most importantly discipline and commitment, which form the foundations for all the above.

3. **AN EFFECTIVE POLICY OF RISK MANAGEMENT:** One cannot guarantee that, even with the help of good policies:
   - A business can stop competitors from stealing clients
   - It can foresee unexpected disasters that may cripple the operations of the organisation.
   - It can escape the impact of economic fluctuations that may erode the purchasing power of the market.

   Policies cannot avoid risks. However, good corporate governance indicates that an organisation must implement measures to manage risks. An effective risk management strategy minimises the organisation's vulnerabilities. For example, a business can diversify its operations in order to earn revenue from several different sources rather than depending on one particular source.

4. **FAIRNESS IN THE ORGANISATION:** One of the best practices of corporate governance is to be fair; within and also outside. The management must treat fair-mindedness as a priority and use this among employees and customers. The business can always push its employees to strive for the best, but not at the cost of low morale. The management must recognise the heavy workload shouldered by an employee and its long-term negative impact. Very high turnover and extremely poor employee morale is a fatal combination. Again, when it comes to customers, a business must offer equality of treatment. Being fair to customers is mandatory for a business to function ethically and to build a strong customer reputation. Unfair treatment for short-term benefits could be a major blow to the long-term prospects of the business.

5. **ORGANISATIONAL TRANSPARENCY:** Transparency is a pillar to success. Within the corporate arena, when managers do not limit information from flowing down to employees, it unifies an organisation. Keeping one's own counsel hurts transparency and fails to boost employee morale. When an employee is offered the freedom to understand the

management strategies and observe the financial performance, it becomes easier to discern their individual role and responsibilities towards the organisation and work towards it. Transparency, as a corporate governance policy, must be implemented for the customers too. The public is averse to secretive corporations and trusts those that are more transparent and business.

6. **SELF-EVALUATION TO MITIGATE BUDDING ISSUES:** It is next to impossible to avoid the mistakes no matter how smartly an organisation is managed. This tendency is quite common and can only be managed with the help of self-evaluation. Good corporate governance advocates that regular self-evaluations and identification of developing issues within the corporation can help avoid disasters. Customer surveys and employee reviews are two highly efficient measures to collect vital feedback on the effectiveness of the current organisational policies. In the same way, the use of an external consultant to analyse its operations will enable a business to identify ways to easily, and impartially, improve the performance and efficiency of the organisation as a whole.

7. **CORPORATE SOCIAL RESPONSIBILITY:** Social responsibility is a matter of high concern and a topic discussed in almost all board meetings. Consumers always expect their providers to be exemplary and a good member of the community for example- a business investing in good quality packaging and also taking the initiative to recycle and reduce waste, will generate a very positive impression. Consumers like those businesses which give something back to society. Good corporate governance practices help a business to identify the ways and techniques to improve corporate practices and promote good social behaviour while reinvesting in the community.

4.3   A DIMENSION OF ETHICAL MAKING

Corporate governance is characterised as a demonstration of controlling, coordinating and assessing the exercises of an association. The structure of corporate administration indicates that the others partaking in the association, for example, the board administrators, directors, investors and different partners must be furnished with certain rights and duties. Corporate administration enables the association to accomplish the objectives and goals of an association in an ideal way. Corporate administration has accomplished a lot of achievement in drawing out in the open intrigue on the grounds that corporate governance offers significance to the monetary well-being of the enterprise and the general public in all. There are various dimensions in ethical making which can be discussed as follows.

4.3.1 ETHICAL MAKING

Supervisors influence the conduct and dynamic ability of people. The people in an association are liable for leading business tasks. The executives are characterised as dynamic people agreeing to the laid down procedure and practices. Moral dynamics is a strategy for assessing and picking the options chosen as per moral values of the board. The accompanying network of the people ought to be remembered while settling on ethical making:

- Recognise and take out unethical choices in the available options.
- Identify mind boggling, equivocal and fragmented realities and attempt to keep away from them
- Determine the ethical predicament and resolve it.
- Select the best ethical option.

4.3.2 CHARACTERISTICS OF GOOD ETHICAL MAKING

There are various characteristics for a good ethical making which are as follows:

- Choice issues ought to be snatched by the organisation both in existence and proposed. This implies, the choice issue ought to be dissected altogether by the administration.
- The choice settled by the leader should keep him in a condition of quiet on regular watch.
- Decisions made by the administration ought to add to amiability in the organisation.
- Self-intrigue and self-direction ought not to come in the method of dynamics.

4.3.3 HURDLES IN THE ETHICAL MAKING PROCESS

There are various problems faced by the organisation in the ethical making process. There are the followings hurdles:

1. **Level of Decision Making Not Clear:** Sometimes, there is ambiguity in the level of power a manager holds, whether he holds the right to make modifications in the existing system. This often leads to confusion in the minds of the manager, especially at a middle-level manager.

2. **Lack of Time:** Hasty decisions often lead to disastrous effects. However, businesses are subject to emergencies and often, as a decision making authority, you need to take a call in the limited time available. This can pose a most difficult hurdle for most leaders; however, an effective leader has to go through these testing times.

3. **Lack of reliable data:** Lack of reliable data can be a major hindrance in making apt decisions. Ambiguous and incomplete data often makes it difficult for them to make an appropriate decision, which may not be the best suited for any organisation.

4. **Risk-Taking Ability:** Any decision attracts a fair deal of risk of resulting in a negative outcome. However, it is necessary to take calculated risks for an effective decision. Also, at the same time, a casual attitude and completely ignoring risks will not result in taking appropriate decisions.

5. **Too Many Options:** A manager can be in a dilemma if there are too many options for an effective solution. Finding the appropriate one can be very difficult, especially if a particular decision favours a department over the other.

6. **Inadequate Support:** A manager, however good he may be, cannot work without an adequate support level from his subordinates. Lack of adequate support either from top level or grass root level employees may result in a great jeopardy for the manager.

7. **Lack of Resources:** A manager may find it difficult to implement his decisions due to lack of resources- time, staff, and equipment. In these cases, he should look out for alternative approaches which fit in the available resources. However, appropriate steps must be taken in case he feels that lack of resources may stop the growth of the organisation.

8. **Inability to Change:** Every organisation has its own unique culture which describes its working policies. However, some policies are not conducive to managers who are looking out for a change. The rigid mentality of top-level management and the subordinates are the biggest hurdle, wherein a manager cannot make positive amendments even if he wishes to do so.Every experience is a big teacher, and managers should take a cue from their previous experiences, and learn to boost their decision-making capacity. Big businesses have benefited greatly from positive changes and results, which implies that a manager should first and foremost improve his ability to deal with risks to make a good decision.

9. **Improper Communications:** It prompts the difficulty that emerges because of inappropriate correspondence of data. Different restrictions of any administration in the dynamic procedure are concerning the powerlessness of the human psyche to deal with accessible information including human conduct.

4.3.4 RELEVANCE

There are so many reasons for the need of corporate governance in an organisation. Which are as follows:-

- A corporation, which is an association of numerous partners, for example, workers, clients, financial specialists, sellers, buyers etc., must be reasonable and straightforward to its partners in the entirety of its dealings. It is significant in the present globalised business world, where partnerships require approaching worldwide pools of capital to pull in and hold the best human assets from all places of the globe. On the off chance that a company doesn't take up and show moral lead, it isn't viewed as effective.

- It covers moral values directly in business, the code of qualities and rules that encourages a person to pick among good and bad or make the correct choice from the choices available. Directors choose certain activities based on rules that are administered by the way of life, setting and estimations of an association. An organisation that follows moral qualities feels that it is better for the business, as it helps over the long haul and the partners see that the administration is running the association in the ideal way.

- It is past the circle of law, i.e., it originates from the foundation and viewpoint of the administration and can't be managed by enactments alone. It manages the issues of an organisation so that it is reasonable for all the partners and that its dealings advantage the best number of partners. It is about genuineness, honesty and duty. Laws should set up a typical structure to look after guidelines. Since substance is connected with the attitude and moral norms of the board, it will at long last set out the credit capacity and uprightness of the procedure.

- Partnerships ought to understand that it is important for all the partners to coordinate so as to encourage improvement. Such participation and backing must be conceivable by sticking to the prescribed procedures of corporate administration. In this specific situation, the executives need to assume the liability of the investors everywhere and stop any uneven advantages of the fluctuated areas of the investors.

- The monetary capability of an organisation can be improved through corporate administration. Corporate governance likewise guarantees that enterprises think about the interests of a wide scope of voting public and furthermore the networks inside which they work. Corporate administration additionally ensures that the sheets of executives are available to the investors. This even assists with guaranteeing that

enterprises work to help the general public everywhere, including the general public's interests about work and condition.

- The certainty of both outside and residential speculators is kept up and maintained because of the reliability that originates from great proportions of corporate administration. The expense of capital ought to be cut down so progressively that long haul speculation is pulled in.

- In 1998, the Confederation of Indian Industry (CII) made open an attractive and intentional code. This denoted the start of corporate administration activities in India. At that point, based on the Kumarmangalam Birla Committee Report in February 2000, Securities and Exchange Board of India (SEBI) made the primary formal administrative structure for recorded organisations.

4.3.5 PRINCIPLES

Corporate governance incorporates standards, for example, trustworthiness, trust, respectability, duty, responsibility and pledge to the association. Aside from these, different standards of corporate governance are as following:

4.3.5.1   Rights and Impartial Treatment of Investors: The associations must recognise the privileges of the investors and they should help the investors in practicing their privileges successfully. Investors should likewise be urged to take part in the regular gatherings of an organisation.

4.3.5.2   Promote Ethical and Responsible Decision-Making: The Board ensures that the Bank promotes ethical and responsible decision-making and complies with all relevant policy, laws, regulations and codes of best business practice using the Group's ethics and operating principles. The ethics and operating principles address the following matters: conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection of and use of the Group's assets, compliance with laws and regulations and encouraging the reporting of unlawful/unethical behaviour.

4.3.5.3   Safeguard Integrity in Financial Reporting: The Board has a structure in place to independently verify and safeguard the integrity of the holding company's financial reporting, including the internal audit department headed by the chief internal auditor and the establishment, as required by law, of the audit committee, to which the chief internal auditor reports.

The existence of an independent audit committee is recognised internationally as an important feature of good corporate governance and is required by the Financial Institutions Act.The Group's internal audit is also governed by a charter, which sets out the roles and responsibilities of internal audit, the professional standards by which it is to be governed, the staff's authorities and

organisation and emphasises the independence of internal audit in the Bank's organisational structure. Each audit committee has its own terms of reference that guide and govern it.

4.3.5.4   Job and Duties of the Board: So as to manage different issues of a business, an association needs a wide scope of aptitudes among the individuals from the board. The individuals from the association must work with incredible obligation.

4.3.5.5   Trustworthiness and Moral Conduct: So as to advance moral and capable dynamics, associations must build up a set of principles for the chiefs of an organisation.

4.3.5.6   Revelation and Straightforwardness: The jobs and obligations of executives must be plainly characterised by an association. Associations must actualise certain methodology so as to check and protect the trustworthiness of the association. An organisation must unveil the money related data to financial specialists and investors.

4.3.6   MANAGERIAL SKILLS

Corporate governance is planned for expanding the drawn out estimation of an association for its investors, yet in addition to planned accomplishments. It speaks to an amalgamation of every one of those engaged with a procedure and practice particularly financial affairs. It is basic for all associations to oversee the overall functioning. Corporate administration involves all the partners and simultaneously the procedure and practices in monetary and social settings.

A director must have certain aptitudes so as to make an interpretation of information into execution. It is the degree of competency that considers execution to be predominant in the field in which the representatives have the necessary ability. All directors need to have specialised, relational, applied, analytic, communicational and political abilities. The specialised and analytic aptitudes allude to the information and capacity of understanding the procedures in question and experimentally investigating issues and openings. The different aptitudes that the managers must have are as follows.

4.3.6.1   Technical Ability

Technical abilities fundamentally include the utilisation of information, strategies and procedures in playing out work adequately. Specialised abilities are specific information and aptitude, which is used in managing everyday issues and exercises. For instance, engineers, bookkeepers, software engineers and frameworks investigators, all have specialised aptitudes in their territories and these abilities are gained through instruction and working. These aptitudes are profoundly fundamental at the lower level of the executives and as one moves to more elevated levels of the executives, the overall significance of

specialised abilities generally reduces. This is so on the grounds that not at all like the principal level directors, administrators at more significant levels have less immediate contact with specialised working issues and exercises at the lower levels of an organisation.

4.3.6.2 Human Ability

Human ability is the capacity to work with others in an agreeable way. It includes getting along, persistence, trust and real contribution in relational connections. These are relational aptitudes and are important at all levels of the executives. Individuals with great integrator human aptitudes fabricate trust and participation as they propel, lead and in this manner become effective directors. This significance of ongoing expertise increases more and more as the working environment is turning out to be increasingly more ethnically differentiated and the supervisor must know and become versatile to social contrasts. Moreover, since organisations are turning out to be increasingly worldwide, chiefs are required to learn better approaches for managing individuals in various nations with various societies and worthy frameworks.

4.3.6.3 Conceptual Ability

Reasonable aptitude is the capacity to see the association overall and as an absolute substance just as a framework containing different parts and subsystems incorporated into a solitary unit. This aptitude is particularly essential for high level officials who must hold the entire framework under core interest and focused target. They should comprehend the complexities of the general association, including how every unit of the association contributes towards the general accomplishment of the whole association. This ability by and large relies on a sorted out reasoning procedure which manages the comprehension of different elements of an association, their relationship and the relationship of the association with the outside condition as far as given dangers and openings.

4.3.6.4 Diagnostic Ability

Diagnostic ability refers to a manager's explanatory capacity where a chief can consistently and in an unbiased way searches and breaks down an issue or a chance and utilises logical ways to deal with and thus shows up at a double and ideal arrangement. It is significant in any case, that an administrator gets to the underlying driver of the issue with the goal that the arrangement is genuine and a perpetual one as opposed to just a present moment or a corrective one. This expertise covers with different aptitudes on the grounds that a supervisor may need to utilise specialised, human, reasonable or political abilities to take care of the difficulty that has been analysed.

4.3.6.5 Communicational Ability

Communicational abilities are a significant segment of relational aptitudes and are essential to every single expertise and these are significant and important at all levels of the executives. A director's best thoughts will have little effect in the event that they can't be imparted viably. Great correspondence is the establishment of sound administration. Legitimate correspondence dispenses with delays, misconception, disarray, twists, and clashes and improves coordination and control. All the four communication abilities, in particular composition, perusing, tuning in and non-verbal signals are significant elements of effective administration

4.3.6.6 Political Ability

Political ability can be depicted as the capacity to get your own specific manner without appearing to be childish or self-arranged. It is the capacity to get a lot of intensity and authority and use it without the dread of losing it. It is the most minds boggling abilities required to set up the correct associations and dazzling the ideal individuals and afterward capably utilizing these associations with your own bit of leeway. Political expertise is generally significant at the central administration level since it consistently seeks to arrive at the high degrees of the board and thus right associations help in such matters.

4.5 ADVANTAGES OF CORPORATE GOVERNANCE

Good corporate governance can turn a good company into a great one. The leaders in any industry are at the helm of their respective industries, mainly because of outstanding corporate governance practices.

1. **Compliance with laws:** With corporate governance in place, compliance with various laws is taken care of easily, as corporate governance includes the rules, regulations and policies that enable a business to stay compliant throughout and function without any hassle or legal inconveniences whatsoever.

2. **Lesser fines and penalties:** Since the legal compliance aspect is taken care of as per the corporate governance practices, companies are able to save a fortune on unnecessary fines and compliances and possibly redirect those funds towards business objectives to achieve greater heights.

3. **Better management:** Since there is a structure in place with regard to how the entity operates, its day-to-day functioning, managing the activities and achieving targets becomes easier on the whole. The work atmosphere also takes care of itself under good principles of corporate governance fostering teamwork, unity, efficiency and a drive for success.

4. **Reputation and relationships:** Companies with good corporate governance are able to attract investors and external financiers with

relative ease, going by their sterling reputation and brand image. One of the pillars of corporate governance is transparency, which is the practice of sharing key internal information with the stakeholders. This improves the relationship of the entity with its stakeholders and sows the seeds of trust between the company and society at large.

5. **Lesser conflicts and frauds:** The rules instilled in the workplace encourage the employees to be morally conscious in every situation that they encounter, thus eliminating the possibility of fraud and conflict between employees.

4.6 DISADVANTAGES OF CORPORATE GOVERNANCE

When it comes to the matter of smaller corporations, there might be a bit of hassle where the shareholders may serve as the directors and managers, having no segregation as such. Bearing this in mind, it gives rise to:-

1. **The burden of staying legally compliant:** Corporates generally have loads of compliance that have to be followed, attracting different laws based on their industry. Corporate governance ensures legal compliance, but it does come at a very hefty price.

2. **Increased costs:** Administrative costs for companies with corporate governance are pretty exorbitant, considering all the requirements to be met. Here are a few documents to be maintained:Stock of sales and purchases, legal compliance records, and annual registration.

3. **Maintenance of segregation:** Irrespective of the size of the corporation, the adherence to all formalities and requirements must be met without any exceptions. Failure to comply with these rules leaves the company with huge exposure such as "piercing of the corporate veil", where the separate legal entity status of the corporation is ignored in order to understand the goings-on behind the closed doors.

4. **The conflict between the principal and the agent:** Large corporations have made it a common practice to appoint a well-known manager, one with a good track record to manage the day to day operations of the business. Unfortunately, this gives rises to a conflict between the shareholders and the managers as they both may have very different objectives and perspectives. This often leads to a clash between the two, thus affecting the overall ability of the business to run its operations in a smooth and efficient manner.

4.7 SUMMARY

In this Unit, we have discussed the dimension of ethical making including the concept of ethical making, characteristics of good ethical making, and hurdles of ethical process, principles and managerial skills. In hurdles of ethical

process different points are discussed like lack of information, lack of knowledge, lack of time and improper communication. Various principles are also discussed in the principle section. There are so many managerial skills which are discussed in this unit like technical ability, human ability, conceptual ability, diagnostic ability, communication ability and political ability.

4.8 KEY WORDS

Corporate governance is characterised as a demonstration of controlling, coordinating and assessing the exercises of an organisation.

Diagnostic ability refers to a manager's explanatory capacity where a chief can consistently and in an unbiased way searches and breaks down an issue or a chance and utilises logical ways to deal with and finally shows up a doable and ideal arrangement.

Improper communication prompts the difficulty that emerges because of inappropriate correspondence of data.

Conceptual ability is the capacity to see the association overall and as an absolute substance just as a framework containing different parts and subsystems incorporated into a solitary unit.

4.9 SELF-ASSESSMENT QUESTIONS

Q.1. What do you mean by ethical making?

Q.2. Describe the characteristics of good ethical making.

Q.3. Describe in brief the hurdles of the ethical making process.

Q.4. What are the principles of corporate governance?

Q.5. Describe the relevance of corporate governance.

Q.6. What do you mean by corporate governance and ethical making?

Q.7. Describe the managerial skills in brief.

Q.8. Write a note on dimensions of ethical making.

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Business Ethics & Corporate Governance

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Block
2

Block 2 - Individual & Organisational Factors

PEPE-052 / ETH-093 /ETH-106

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BLOCK 2: INDIVIDUAL & ORGANISATIONAL FACTORS

In **Block 2** you would have to learn the individual factors; moral philosophy; corporate culture and leadership; interpersonal relationships in organisation and role of opportunity.

Unit 5 deals with definition and different perspectives like moral philosophy, teleology and deontology, relativist perspective, virtue ethics, justice and fairness, ethics of care, integration of the various perspectives, cognitive moral development, and moral reasoning.

Unit 6 begins by discussing the role of corporate culture and leadership, retention of employees, image, efficiency, quality, the role of leadership in corporate culture; structure and business ethics, formal structure and business ethics, rational structures and business ethics and advantages and disadvantages of structure.

Unit 7 deals with the interpersonal relationships in organisation, conceptual framework, motives of developing interpersonal relations, types of interpersonal relationship, stages of interpersonal relationships, importance of interpersonal relationship and the way through which interpersonal relationship skills can be improved.

Unit 8 deals with the role of opportunity and conflict, the ways to turn conflict into an opportunity for growth, conflict and managing ethical conflicts at the workplace.

UNIT 5: MORAL PHILOSOPHY

UNIT FRAMEWORK

5.1   PURPOSE

The objectives of this unit are:

- To discuss the Definition and Different Perspectives
- To discuss the Teleology and Deontology and explain the Relativist Perspectives
- To explain the Virtue Ethics and discuss the Justice and Fairness
- To explain the ethics of care and discuss the Integration of the Various Perspective
- To explain the Cognitive Moral Development and discuss the Moral Reasoning

5.2   DEFINITION AND DIFFERENT PERSPECTIVES

Moral philosophy is the branch of philosophy that mulls over what is good and bad. It investigates the idea of ethical quality and looks at how individuals should carry on with their lives according to other people. When we talk about its branches, Moral philosophy has three branches.

One branch, meta-ethics, researches large picture and addresses, for example, "What is ethical quality?" "What is equity?" "Is there truth?" and "How might I legitimize my convictions as better than clashing convictions held by others?"

Another branch of moral philosophy is normative ethics. It addresses the topic of what we should do. It centres on giving a system to choosing what is good and bad. Three regular structures are deontology, utilitarianism, and virtue ethics.

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The last branch is applied ethics. It tends to explicit, functional issues of good significance, for example, war and the death penalty. Applied ethics additionally handles explicit good difficulties that individuals face every day, for example, regardless of whether they should deceive or help a companion or collaborator.

5.3   TELEOLOGY AND DEONTOLOGY

5.3.1   Teleology

Teleology begins from Greek telos, "end"; logos "science". Teleological ethics, theory of morality that infers obligation or good commitment based on what is acceptable or alluring as a conclusion to be accomplished. Otherwise called consequentialist morals, it is against deontological morals (from the Greek deon, "obligation"), which holds that the fundamental norms for an activity by and large ethically right are free of the great or evil produced. Modern morals, particularly since the eighteenth century German deontological theory of Immanuel Kant, have been profoundly partitioned between a type of teleological morals (utilitarianism) and deontological hypothesis.

Teleology, despite the fact that it was named by Christian von Wolff in 1728, begins in the Western world with Plato and Aristotle. None of the old Eastern methods of reasoning appears to have said much regarding teleology. Plato and Aristotle considerably concurred, as practically everybody before the advanced age that the deliberateness of nature was plainly obvious. To such an extent, that they depicted thoughts disregarding nature's deliberateness as "crazy"; they were contending against the previous thoughts of Democritus and Lucretius who advanced what we currently call accidentals which is the cutting edge standard logical view, that the prompt physical reasons for occasions are the main sources. Plato accepted that the normal reasons for things were to satisfy their potential for goodness, acquired from his "Non-romantic structures," the theoretical however genuine goals from which, he accepted, material things picked up their structures and characteristics. Aristotle didn't have faith in Plato's structures; he felt that common things had intrinsic regular purposes in some other sense, never all around characterized.

Aristotle recognised four sorts of cause, with "conclusive reason" being the reason or end of something, and he contended that it was a serious type of idiocy to consider just prompt causes; Aristotle would have stated, for instance, that to depict the advancement of eye-balls without perceiving that their last reason the advantage of seeing is their essential driver, is moronic. We'll expand on this discussion in the following area. After Aristotle, Immanuel Kant broadly broke down teleology in the eighteenth century, in a route reliable with Aristotle, and which impacted the methods of reasoning of Hegel and Marxism, where history and humankind have some sort of regular fate. In spite of the fact that Kant's way of thinking of characteristic teleology was

conflicting with present day science; his intensive investigation is an establishment of the advanced conversation. Since the acknowledgment of Charles Darwin's hypothesis of normal choice, and other present day speculations of characteristic cause, for example, the Big Bang, it's generally underestimated that nature can have no teleology, being unexpected and unplanned. However, it's not satisfactory that it's important to be a creationist to consider that characteristic finishes may assume some causal function in nature.

There may be two types of teleology. One is Natural teleology that is hypothetically, the inherent purpose or end of a natural entity; in Aristotle's classic example, the oak tree is the natural purpose of the acorn. Another one is Cybernetics that is the study of mechanical systems with built in goals, e.g. a thermostat, a self-adjusting valve, or the human metabolism; note that robots and artificial intelligences will all incorporate cybernetics when they eventually work.

Normally, during the times of humankind when almost everybody puts stock in divine beings, it wasn't an issue to offer purposes to nature, since nature was believed to be something made by a cognisant being God. Also, even rationalists without customary strict convictions felt constrained by the obvious knowledge of nature's 'plan' to accept that nature is teleological in some sense. It's maybe difficult to respect the results of advancement, for example, a feathered creature's wing, without appearing to see reason. However, since the hypothesis of common determination has indicated how living beings can develop without reason, most logicians and researchers concur that nature has no teleology, and that to credit teleology to nature is a type of obliviousness related with folklores like Creationism. A few people decipher development as a way that nature comes to have genuine teleology without goal or plan. At the end of the day, maybe common law has no intrinsic purposes yet in addition, maybe development places genuine reason into nature. Almost everything in science is how it is a result of its capacity for seeing yet that sort of talk suggests that the development of the eye was brought about by its motivation, instead of the cycle of irregular change and common choice.

The unplanned improvement of Cognizant's creatures and everything the conditions needed to help life—stars of the correct kind, planets of the correct kind, characteristic components of the correct kind, and so forth appears excessively "unique" to have happened haphazardly. Physicists have been grieved by the way that nature appears to be exactly tuned to deliver Cognizant's creatures. This is known as the anthropic rule, the possibility that the universe is how it is on the grounds that cognisant creatures live in it. However, most scholars presently concur that this intentionality is a deception, a relic of our inadvertent point of view; if there were zillion different universes

without life, we wouldn't know. Rather than the universe being finely tuned for us, we simply occur (definitely) to be in a universe that underpins life.

5.3.2   Deontology

Deontological morals or deontology (from greekδέον, deon, "commitment, obligation"; and - λογία, - logia) is a way to deal with morals that decides goodness or rightness from looking at acts, or the guidelines and obligations that the individual doing the demonstration endeavored to satisfy. According to the deontological see, individuals have an obligation to act in a manner that does those things that are intrinsically acceptable as acts ("truth-telling" for instance), or keep an unbiased mandatory guideline.

The deontological see introduced in the works of Immanuel Kant indicates that having an ethical plan and keeping the correct guidelines is a superior way to moral direct than accomplishing the correct outcomes. A deontologist like Kant is probably going to accept that moral activity emerges from carrying out one's responsibility and that obligations are characterized by objective ideas. Obligations, as per Kant, are not explicit to specific sorts of people but rather are owed generally to every individual. Kant along these lines utilises "universalizing" as a type of normal idea that accepts the inalienable balance of every person. It thinks about all people as equivalent, not in the physical, social, or financial sense, however equivalent before God, regardless of whether they are male, female, Pygmy, Eskimoan, Islamic, Christian, gay, straight, sound, wiped out, youthful, or old.

For Kantian scholars, this fundamental guideline of uniformity implies that we ought to have the option to universalize a specific law or activity to decide if it is moral. For instance, if you somehow happened to consider distorting yourself on a resume for a specific activity you truly needed and you were persuaded that doing so would land you that position, you may be very enticed to do as such. What damage would it be? You may ask yourself. At the point when I have the activity, I can demonstrate that I was ideal for it, and nobody is harmed, while both the business and I are obviously happier subsequently) Kantian ethicists would answer that your picked game-plan ought to be a general one a game-plan that would be useful for all people consistently. There are two necessities for a standard of activity to be general: consistency and reversibility. Think about reversibility: in the event that you settle on a choice like you didn't have the foggiest idea what job or position you would have after the choice, you would more probably make an unprejudiced one you would almost certainly pick a strategy that would be generally reasonable for all concerned, not simply you. Once more, deontology necessitates that we put obligation first, act judiciously, and give moral load to the inalienable correspondence of every single individual.In thinking about whether to lie on your resume, reversibility expects you to effectively envision both that you

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were the business in this circumstance and that you were another very much qualified candidate who lost the employment since another person cushioned his resume with bogus achievements. On the off chance that the results of such an activity of the creative mind are not engaging you, your activity is presumably not moral.

The second necessity for an activity to be all inclusive is the quest for consistency. This is more unique. A deontologist would state that since you realise you are lying, you should be happy to state that lying, in general, widespread wonder is worthy. Yet, on the off chance that everybody lied, at that point there would be no good reason for lying, since nobody would accept anybody. It is simply because trustworthiness functions admirably for society all in all and is commonly polished that lying even gets conceivable! That is, lying can't be universalized, for it relies upon the preexistence of trustworthiness.Comparative exhibitions can be made for activities, for example, dirtying, breaking guarantees, and carrying out most violations, including assault, murder, and robbery. However, these are the simple cases for Kantian masterminds. In the hazy situations of daily routine as it is experienced, the consistency test is regularly hard to apply. On the off chance that breaking a guarantee would spare a day to day existence, at that point Kantian ideasget hard to apply. On the off chance that some measure of contamination can permit work and the mischief is negligible or inaccessible, Kantian reasoning isn't too useful. At last, we should take note of that the notable Golden Rule, "Do unto others as you would have them do unto you," underscores the simpler of the two universalizing prerequisites: rehearsing reversibility "How might I like it on the off chance that somebody did this to me?"

Since teleology may appropriately apply to cognisant creatures, it has assumed a focal part in numerous conversations about morals. Deontology is the main rival against teleology as the reason for moral choices. Teleological morals, says that one's moral choices ought to be founded on conclusive objectives and closures; deontology says that morals ought to be founded on duties to moral standards, without respect for closes. A Teleologist would state that one should execute a guiltless individual if that would spare two other honest carries on with; a deontologist would state that if murdering isn't right, it stays off-base, regardless of whether it could spare lives.

5.4   RELATIVIST PERSPECTIVE

Relativism is a group of philosophical perspectives which deny cases to objectivity inside a specific area and attest that realities in that space are comparative with the perspective of an onlooker or the setting where they are surveyed.

There are various types of relativism, for example, moral relativism, epistemic relativism, ethical relativism, social relativism, unmistakable relativism and regularizing relativism and so on. Moral relativism includes the distinctions in moral decisions among individuals and societies. Epistemic relativism holds that there are no total realities with respect to standards of conviction, support, or level headedness, and that there are just relative ones. Ethical relativism is the precept that there are no supreme realities, i.e., that fact is consistently comparative with some specific edge of reference, for example, a language or a culture (social relativism). A few types of relativism additionally look somewhat like philosophical incredulity. Distinct relativism looks to portray the distinctions among societies and individuals without assessment, while standardizing relativism assesses the profound quality or honesty of perspectives inside a given structure.

5.5 VIRTUE ETHICS

Another part of the teleological strand of morals is that of 'being acceptable'. The most notable of these ethical theories is virtue ethics. Virtue ethics moves the logical accentuation away from rule-based dynamics (of deontological morals) or of the results of an activity (e.g. in utilitarianism) towards the morals of people and the morals of human character. Along these lines, for instance, where utilitarian would contend that providing for a cause amplifies prosperity in the public eye, and a deontologist would contend that we have an obligation to help other people, a virtue ethics would highlight the way that helping other people shows attractive temperance, for example, being beneficent or kind. Other attractive excellencies incorporate trustworthiness, mental fortitude, companionship, benevolence, devotion, humility, tolerance, etc.

Virtue portrays the personality of an ethical specialist as a main impetus for moral conduct, and it is utilised to depict the morals of Socrates, Aristotle, and other early Greek rationalists. Socrates (469–399 BC) was one of the principal Greek logicians to support the two researchers and the regular residents to divert their consideration from the rest of the world to the state of mankind. In this view, information bearing on human life was put most elevated, while all other information was optional. Self-information was viewed as important for progress and intrinsically a basic decent. A mindfull individual will act totally inside his abilities to his zenith, while an oblivious individual will flop and experience trouble. To Socrates, an individual must get mindful of each reality (and its unique situation) applicable to his reality, in the event that he wishes to accomplish self-information. He sets that individuals will normally do what is acceptable on the off chance that they realise what is correct. Malicious or terrible activities are the consequences of obliviousness. On the off chance that a criminal was really mindful of the scholarly and profound outcomes of their activities, the individual in question would neither carry out nor even consider

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perpetrating those activities. Any individual who recognises what is genuinely right will naturally do it, as per Socrates. While he connected information with ideals, he comparably likened temperance with delight. The genuinely shrewd man will recognise what is correct, do what is acceptable, and in this way be upbeat. Aristotle (384–323 BC) set a moral framework that might be named "temperate". In Aristotle's view, when an individual demonstrates as per prudence this individual will do great and be content. Misery and dissatisfaction are brought about by fouling up, prompting bombed objectives and a helpless life. Consequently, it is basic for individuals to act as per ethicalness, which is just achievable by the act of the Excellencies so as to be content and complete. Joy was held to be a definitive objective. Every single other thing, for example, urban life or the rich, were possibly made advantageous and of advantage when utilised in the act of temperance. The act of the Excellencies is the surest way to bliss.

Aristotle declared that the spirit of man had three natures vis. body (physical/digestion), creature (passionate/craving), and balanced (mental/applied). Physical nature can be mollified through exercise and care; enthusiastic nature through guilty pleasure of sense and encouragement; and mental nature through human explanation and created potential. Sound advancement was considered the most significant, as fundamental to philosophical mindfulness and as particularly human. Balance was energized, with the boundaries seen as corrupted and improper. For instance, mental fortitude is the moderate goodness between the boundaries of weakness and carelessness. Man ought not just live, yet live well with lead administered by prudence. This is viewed as troublesome, as temperance means making the best choice, in the correct way, at the perfect time, for the correct explanation.

5.5.1 Stoicism

The Stoic logician Epictetus said that the best great was happiness and tranquility. Significant serenity, or apatheia, was of the most elevated worth; self-authority over one's wants and feelings prompts otherworldly harmony. The "unconquerable will" is vital to this way of thinking. The person ought to be autonomous and intact. Permitting an individual to upset the psychological balance is, generally, offering you in servitude. On the off chance that an individual is allowed to outrage you voluntarily, you have no influence over your inward world, and in this manner no opportunity. Opportunity from material connections is additionally vital. On the off chance that a thing breaks, the individual ought not to be disturbed, yet acknowledges it was a thing that could break. Also, on the off chance that somebody should pass on, those near them should hold to their peacefulness on the grounds that the cherished one was made of fragile living creatures and blood bound to death. Apathetic way of thinking says to acknowledge things that can't be changed, surrendering to the presence and suffering in a level headed manner. Passing isn't dreaded.

Individuals don't "lose" their life, yet rather "return", for they are getting back to God (who at first gave what the individual is personally). Epictetus said troublesome issues in life ought not to be evaded, but instead grasped. They are otherworldly activities required for the strength of the soul; similarly as physical exercise is required for the wellbeing of the body. He likewise expressed that sex and sexual want are to be stayed away from as the best danger to the respectability and balance of a man's brain. Forbearance is profoundly alluring. Epictetus said staying abstinent even with enticement was a triumph for which a man could be glad.

5.5.2 Contemporary Virtue Ethics

A current ideal moral was advocated during the late twentieth century in huge part as a reaction to G.E.M. Anscombe's "Advanced Moral Philosophy". Anscombe contends that consequentialist and deontological morals are just achievable as all inclusive hypotheses if the two schools ground themselves in divine law. As a profoundly committed Christian herself, Anscombe recommended that either the individuals who don't give moral assurance to ideas of awesome law take up ethicalness morals, which don't require general laws as operators themselves are explored for goodness or bad habit and held up to "widespread norms", or that the individuals who wish to be utilitarian or consequentialist ground their hypothesis in strict conviction. Alasdair MacIntyre, who composed the book After Virtue, was a key patron and advocate of present day goodness morals; albeit in some cases MacIntyre upholds a relativistic record of ideals dependent on social standards, not target norms. Martha Nussbaum, a contemporary temperance ethicist, objects to MacIntyre's relativism, among that of others, and reacts to relativist issues with structure a target account in her work "Non-Relative Virtues: An Aristotelian Approach".

5.6   JUSTICE AND FAIRNESS

The third part of equity to which Justinian's definition draws our consideration is the association among equity and the fair-minded and reliable use decides that is the thing that the 'consistent and ceaseless will' part of the definition passes on. Equity is something contrary to mediation. It necessitates that where two cases are appropriately similar, they ought to be treated similarly (We talk about beneath the exceptional instance of equity and lotteries). Adhering to a standard that indicates what is because of an individual who has highlighted X, Y, Z at whatever point such an individual is experienced guarantees this. What's more, despite the fact that the standard need not be unchangeable and interminable in the strict sense, it must be moderately steady. This clarifies why equity is exemplified in the standard of law, where laws are perceived as broad principles unbiased applied after some time. Outside of the law itself, people and foundations that need to carry on fairly should impersonate the law

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in specific manners (for example, gathering dependable data about individual inquirers, taking into consideration advances against choices).

Justice as decency is Rawls' hypothesis of equity for a liberal society. As an individual from the group of liberal political originations of equity it gives a structure to the real utilization of political force. However authenticity is just the insignificant norm of good adequacy; a political request can be real without being simple. Justice sets the maximal norm: the game plan of social establishments that is ethically best. Rawls builds equity as reasonableness around explicit translations of the thoughts that residents are free and equivalent and that society ought to be reasonable. He considers it to be settling the strains between the thoughts of opportunity and uniformity, which have been featured both by the communist investigating liberal majority rule government and by the moderate scrutinizing the cutting edge government assistance state. Rawls holds that equity as reasonableness is the most populist and furthermore the most conceivable understanding of these major ideas of radicalism. He additionally contends that equity as reasonableness gives a better comprehension of equity than that of the predominant custom in current political thought: utilitarianism.

Justice as reasonableness means to portray an only course of action of the major political and social establishments of a liberal society: the political constitution, the general set of laws, the economy, the family, etc. Rawls considers the course of action of these foundations a general public's essential structure. The fundamental structure is the area of equity in light of the fact that these organisations convey the principal advantages and weights of public activity: who will get social acknowledgment, who will have which essential rights, who will have chances to get what sort of work, what the circulation of salary and riches will be, etc. The type of a general public's fundamental structure will effectively affect the lives of residents. The fundamental structure will impact their life possibilities, however more profoundly their objectives, their perspectives, their connections, and their characters. Establishments that will have such an unavoidable effect on individuals' lives require defense. Since leaving one's general public is anything but a sensible alternative for the vast majority, the defense can't be that residents have agreed to an essential structure by remaining in the nation. Furthermore, since the guidelines of any fundamental structure will be coercively implemented, regularly with genuine punishments, the interest to legitimize the inconvenience of a specific arrangement of rules heightens further. In setting out equity as decency, Rawls accepts that the liberal society being referred to is set apart by sensible pluralism as portrayed above, and furthermore that it is under sensibly ideal conditions: that there are sufficient assets for it to be feasible for everybody's fundamental needs to be met. Rawls makes the rearranging supposition that the general public is independent and shut, so

residents enter it just by birth and leave it just at death. He likewise limits his consideration fundamentally to ideal hypotheses; setting aside addresses, for example, those of criminal equity.

Social collaboration in some structures is important for residents to have the option of respectable existence. However residents are not interested in how the advantages and weights of collaboration will be isolated among them. Rawls' standards of equity as decency articulate the focal liberal thoughts that collaboration ought to be reasonable for all residents viewed as free and as equivalent. The unmistakable translation that Rawls provides for these ideas can be viewed as consolidating a negative and a positive proposal. Rawls' negative postulation begins with the possibility that residents don't have the right to be naturally introduced to a rich or a helpless family, to be brought into the world normally pretty much talented than others, to be brought into the world female or male, to be brought into the world an individual from a specific racial gathering, etc. Since these highlights of people are ethically discretionary in this sense, residents are not qualified for a greater amount of the advantages of social collaboration basically as a result of them. For instance the way that a resident was brought into the world rich, white, and male gives no explanation in itself to this resident to be supported by social organisations.

This negative proposal doesn't state how social products ought to be appropriated; it just gets ready. Rawls' positive distributive proposal is equity based correspondence. All social merchandise is to be dispersed similarly, except if an inconsistent dissemination is everybody's bit of leeway. The managing thought is that since residents are on a very basic level equivalent, thinking about equity should start from an assumption that helpfully created products ought to be similarly separated. Equity at that point necessitates that any imbalances must profit all residents, and especially should profit the individuals who will have the least. Equity sets the standard; from that point any imbalances must improve everybody's circumstance, and particularly the circumstance of the most noticeably awful off. These solid necessities of uniformity and equal favorable position are signs of Rawls' hypothesis of equity.

The guiding thoughts of justice as decency are given institutional structure by its two standards of equity:

- First Principle is that every individual has similar indefeasible case to a completely satisfactory plan of equivalent fundamental freedoms, which plan is viable with similar plan of freedoms for all;

- Second Principle is that social and monetary imbalances are to fulfill two conditions. One is they are to be connected to workplaces and positions open to all under states of reasonable uniformity of chance

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and another is that they are to the best advantage of the least-advantaged citizenry.

The primary guideline of equivalent fundamental freedom is to be epitomized in the political constitution, while the subsequent rule applies basically to financial foundations. Satisfaction of the primary rule takes need over satisfaction of the subsequent rule, and inside the subsequent guideline reasonable balance of chance takes need over the distinction rule. The main standard states that all residents ought to have the recognizable fundamental rights and freedoms like freedom of soul and opportunity of affiliation, the right to speak freely of discourse and freedom of the individual, the rights to cast a ballot, to hold public office, to be treated as per the standard of law, etc. The primary standard agreements are these rights and freedoms to all residents similarly. Inconsistent rights would not benefit the individuals who might get a lesser portion of the rights, so justice requires equivalent rights for all, in every typical situation.

Rawls' first rule affirms boundless feelings about the significance of equivalent fundamental rights and freedom. Two further highlights make this rule unmistakable. First is its need: the essential rights and freedom must not be compromised against other social products. The main guideline refuses, for example, a strategy that would give draft exceptions to undergrads because taught regular folks will increment monetary profitability. The draft is an exceptional encroachment on essential freedom, and on the off chance that a draft is actualized, at that point all who can serve must be similarly dependent upon it, regardless of whether this implies more slow development. Residents' equivalent freedom must have a need over financial approach.

Rawls' second rule of equity has two sections. The initial segment, reasonable equity of chance, necessitates that residents with similar abilities and readiness to utilise them have similar instructive and financial open doors whether or not they were brought into the world rich or poor. "In all pieces of society there are to be generally similar possibilities of culture and accomplishment for those also persuaded and supplied" The second aspect of the subsequent standard is the distinction guideline, which directs the appropriation of riches and salary. Permitting disparities of riches and pay can prompt a bigger social item: higher wages can take care of the expenses of preparing and instruction, for instance, and can give motivating forces to fill occupations that are more sought after. The distinction rule permits imbalances of riches and salary, inasmuch as these will be for everybody's potential benefit, and explicitly to the upside of the individuals who will be most noticeably terrible off. The distinction guideline requires, that will be, that any monetary imbalances be to the best bit of leeway of the individuals who are advantaged least.

5.7 ETHICS OF CARE

Ethics of care stands out from all the more notable moral models, for example, consequentialist speculations (for example utilitarianism) and deontological speculations (e.g. Kantian morals) in that it tries to join customarily feminized temperance and qualities that defenders of care morals fight are missing in such conventional models of morals. These qualities incorporate the significance of compassionate connections and sympathy.

Care-centered women's rights are a part of women's activist ideas, educated principally by ethics of care as evolved via Carol Gilligan and NelNoddings. This collection of hypotheses is reproachful of how caring is socially allocated to ladies, and thus debased. They state, "Care-centered women's activists view ladies' ability for care as a human quality," that ought to be instructed to and expected of men just as ladies. Nodding suggests that moral caring can possibly be a more concrete evaluative model of a good situation than an ethic of equity. Nodding's consideration centered women's rights require reasonable use of social morals, predicated on an ethic of care.

5.8 INTEGRATION OF THE VARIOUS PERSPECTIVES

There are a few very much regarded perspectives on the issues. Some of them have been around for quite a long time. It is essential to realise that numerous who contemplate business and morals have profoundly held convictions about which point of view is ideal. Others would suggest thinking about moral issues from a wide range of viewpoints. Here, we are forgetting about some significant points of view, for example, general speculations of equity and "rights" and women's activist ideas about morals and male controlled society.

5.8.1 Social Justice and Social Contract Theory

Social justice theory stresses over "distributive equity" that is, what is the reasonable method to circulate merchandise among a gathering of individuals? Communist idea underlines that citizenry ought to be offered products as per their requirements. However, this redistribution would require an overseeing capacity to choose who gets what and when. Industrialist thought adopts an alternate strategy, dismissing any giving that it isn't deliberate. Certain financial experts, for example, the late Milton Friedman likewise reject the thought that a partnership has an obligation to provide for neglected requirements in the public arena, accepting that the legislature should assume that job. Indeed, even the most devoted free-market industrialist will regularly concede the requirement for some administration and a few types of government assistance like Social Security, Medicare, help to flood-stricken regions, help for AIDs patients alongside some open merchandise, for example, guard, instruction, expressways, stops, and backing of key businesses influencing public security.

Individuals who don't see the requirement for public merchandise (counting laws, court frameworks, and the administration products and ventures just referred to) regularly question why there should be a legislature by any means. One reaction may be, "Without government, there would be no enterprises." Thomas Hobbes accepted that individuals in a "condition of nature" would reasonably decide to have some type of government. He called this the implicit understanding, where individuals surrender certain rights to the government in return for security and regular advantages. In your own life and in this course, you will see a progressing difficult exercise between human wants for opportunity and human wants for request; it is an old strain. A few pundits additionally observe a sort of implicit agreement among partnerships and society; in return for interminable terms and restricted obligation, the enterprise makes them compare obligations toward society. Additionally, if an enterprise is lawfully an "individual," as the Supreme Court reaffirmed in 2010, at that point some would contend that if this corporate individual submits three crimes, it ought to be secured forever and its corporate sanction denied! Present day implicit agreement scholars, for example, Thomas Donaldson and Thomas Dunfee (Ties that Bind, 1999), see that different networks, not simply countries, make rules for the benefit of all. Your school or any school is a network, and there are networks inside the school (crews, sororities, the people behind the counter at the flow work area, the individuals who cooperate at the college radio broadcast, the games groups, the workforce, the understudies for the most part, the gay and lesbian coalition) that have rules, standards, or guidelines that individuals can get tied up with or not. If not, they can exit from that network, similarly as we are free (however not without cost) to dismiss US citizenship and relocate to another nation.

Donaldson and Dunfee's integrative implicit understandings as a hypothesis focuses on the significance of examining the standards of littler networks alongside the bigger implicit understandings made in states, (for example, Colorado or California) and country states, (for example, the United States or Germany). Our Constitution can be viewed as a major implicit agreement. Realise that an implicit agreement can be changed by the members in a network, similarly as the US Constitution can be altered. Implicit agreement hypothesis is in this manner dynamicit takes into account auxiliary and natural changes. Preferably, the implicit agreement struck by residents and the administration takes into consideration certain major rights, for example, those we appreciate in the United States, however it need not. Individuals can surrender opportunity-based rights, (for example, the privilege of free discourse or the option to be liberated from outlandish ventures and seizures) to make sure about requests (opportunity from dread, opportunity from psychological oppression). For instance, numerous residents in Russia currently miss the days when the Kremlin was almighty; there was not so much wrongdoing but rather more uniformity and consistency to life in the Soviet

Union, regardless of whether there was less opportunity. Accordingly the rights that individuals havein certain laworiginate from whatever implicit agreement exists in the general public. This view varies from that of the deontologists and that of the common law masterminds, for example, Gandhi, Jesus, or Martin Luther King Jr., who accepted that rights originate from God or, in less strict terms, from some otherworldly good request.

Another significant development in morals and society is the communitarian viewpoint. Communitarians stress that rights convey with them comparing obligations; that is, there can't be a privilege without an obligation. Intrigued understudies may wish to investigate that crafted by AmitaiEtzioni. Etzioni was an organizer of the Communitarian Network, which is a gathering of people who have met up to support the ethical, social, and world of politics. It professes to be nonsectarian, unprejudiced, and worldwide in scope. The connection among rights and obligations in both law and morals requires a few clarifications:

- If you have a privilege of free articulation, the administration has an obligation to regard that privilege yet can set sensible boundaries for it. For instance, you can lawfully say anything you desire about the US president, yet you can't pull off compromising the president's life. Regardless of whether your reactions are solid and unshakable, you have the right (and our legislature has the obligation to ensure your entitlement to) talk uninhibitedly. In Singapore during the 1990s, even circuitous reactions simpleclues of the political initiative were sufficient to land you in prison or if nothing else quietness you with a criticism suit.

- Rights and obligations exist among individuals and their administrations as well as between people. Your entitlement to be liberated from physical attack is secured by the law in many states, and when somebody approaches you and punches you in the nose, your privileges as gone ahead in the positive law of your state have been abused. Consequently others have an obligation to regard your privileges and not to punch you in the nose.

- You directly in legitimate terms are just at a par with your general public's eagerness to give lawful cures through the courts and political organisations of society.

5.8.2   Josephson's Core Values Analysis and Decision Process

Michael Josephson, a prominent American ethicist, accepts that a current arrangement of basic beliefs has been distinguished and that the qualities can be genuinely applied to an assortment of individual and corporate choices. To

streamline, suppose that there are moral and no ethical characteristics among individuals in the United States. At the point when you solicit individuals what sorts of characteristics they appreciate in others or in themselves, they may state riches, influence, wellness, funny bone, great looks, insight, melodic capacity, or some other quality. They may likewise esteem genuineness, mindful, reasonableness, mental fortitude, steadiness, tirelessness, dependability, or uprightness. The characteristics on the subsequent rundown share something practically speaking they are particularly moral qualities. That is, they are regularly observed as good or moral characteristics, in contrast to the characteristics on the principal list. You can be, similar to the Athenian Alcibiades, splendid however deceitful, or, similar to some political pioneers today, ground-breaking yet deceptive, or rich yet wanton. You can, to put it plainly, have various excellent characteristics (splendor, influence, riches) that are not in essence prudent. Because Harold is rich or attractive or has a decent funny bone doesn't imply that he is moral. However, on the off chance that Harold is straightforward and mindful (regardless of whether he is rich or poor, clever or humorless), individuals are probably going to consider him to be moral.

Among the Excellencies, are any particularly significant? Studies from the Josephson Institute of Ethics in Marina Del Rey, California, have recognised six basic beliefs in our general public, values that nearly everybody concurs are critical to them. When asked what esteems individuals hold dear, what esteems they wish to be known by, and what esteems they wish others would display in their activities, six qualities reliably turn up: (a) dependability, (b) regard, (c) duty, (d) decency, (e) mindful, and (f) citizenship.

Note that these qualities are unmistakably moral. While a significant number of us may esteem riches, great looks, and knowledge, having riches, great looks, and insight doesn't naturally make us idealistic in our character and propensities. In any case, being more reliable (by being straightforward and by keeping guarantees) makes us more upright, as does remaining consistent with the other five fundamental beliefs. Notice likewise that these six basic beliefs share something in the same manner as other moral qualities that are less generally settled upon. Numerous qualities instructed in the family or in spots of love are not commonly conceded to, rehearsed, or appreciated by all. A few families and people accept unequivocally in the excellence of setting aside cash or in keeping away from liquor or sex preceding marriage. Others unmistakably don't, or possibly don't follow up their convictions. In addition, it is conceivable to have and rehearse centre moral qualities regardless of whether you assume substantial obligation, thump down a few beverages per night, or have incessant early sex. Some would question this, saying that you can't generally have an ethical existence in the event that you stray into the red, drink intensely, or take part in early sex. Yet, the point here is that since

individuals do differ in these territories, the moral characteristics of frugality, moderation, and sexual restraint don't have the unanimity of endorsement that the six fundamental beliefs do.

The significance of a person having these reliable characteristics of character is notable. Regularly we recollect the last terrible thing an individual did unquestionably more than any or all past great acts. For instance, Eliot Spitzer and Bill Clinton are all the more promptly recollected by individuals for their last, most exceedingly terrible acts than for any great they cultivated as community workers. Concerning an organisation, it's great notoriety additionally has a boundless worth that when lost takes a lot of time and work to recuperate. Shell, Nike, and different organisations have found that there is a business opportunity for profound quality, anyway hard to gauge, and that not focusing on business morals frequently comes at a genuine cost. In the previous fifteen years, the profession of morals and consistency has risen, incompletely because of criminal procedures against organisations yet additionally on the grounds that significant organisations have discovered that notoriety can't be recouped retroactively yet should be sought after proactively. For people, Aristotle accentuated the act of uprightness to where temperance turns into a propensity. Organisations are step by step learning a similar exercise.

5.9 COGNITIVE MORAL DEVELOPMENT

In contemporary terms, "moral turn of events" is an exploration of psychological and formative brain research, with related examination in humanities, intellectual science, social and political brain research, law and instruction. A solid exploration association with moral scholars has denoted this current field's improvement from the beginning. Analysts follow developing frameworks of capability in deciphering, judging, and thinking out good issues. These psychological frameworks fuse empathic and social job taking capacities that advance relational arrangement, connection, and network. However, they don't cover as quite a bit of character, sociality, or character as the first teleological thoughts of human instinct. Endeavors to discover anything like regular improvement in such expansiveness of human brain science and character were observationally ineffective.

Exact exploration that depends so intensely on driving philosophical originations, differentiations and strategies for investigation can't resist the opportunity to premium logicians. Its outcomes are profoundly applicable to philosophical discussions, recommending significant functions for reasoning in logical practice. The Piagetian meaning of good advancement's space recognises productively between profound quality, ethics, morals (as in proficient codes), social ethos, and Ethics (as "commendable living."). Standardizing thinking and intelligent meta-cognizance is additionally

deliberately recognised inside rational comprehension itself. Exploration centres on marvels that have enough inner soundness and cohesiveness to be said to create to go through change while holding character and to develop inborn, willingly. (This differentiation will be formed remotely, in manners that replace a previous rendition with a fairly comparative replacement after some time.) Great consideration is taken also to show that the ethical natures of watched wonders are improving, not just the practical complexity of the mental structure in which it is implanted (Kohlberg 1981).

Regularizing moral hypotheses helps plan the primary exploration apparatuses in the moral turn of events (the presenting of examination problems and translation of discoveries). Moral-philosophical ideas are utilised to characterize exact coding (recognizable proof) and scoring (rating) classifications by issue, judgment, reasoning or guideline. The accomplishment of these classifications recommends that the auxiliary sufficiency of a good hypothesis gets to a limited extent from the usefulness of its rationale in like manner, sense and practice. This delivers those hypothetical records of morals that ascent from "thought about good decisions" more than easy chair believability. It proposes, in addition, that challenges in applying moral standards to socio-moral issues merit the exertion, and should turn out conquerable with exertion. Ways have been contracted from moral judgment to hypothesis that ought to be safe in turn around bearing. Clearly, general good standards and their consistent prescriptivity show little in themselves about the plausibility of an ethic. Along these lines the logician must invite any observational record that renders thinking a propelling and basically successful power. Moral developmental details are an assortment of ways that theoretical fitness itself spurs principled decision and activity, while likewise collaborating with moral feelings. Revealing observational proof of a particular skill inspiration rule is an incredible aid to hypotheses of common sense explanation and aim by and large, given how focal conceptualization is to human capability and adaptively. Demonstrating a nearby association among reasons and feelings, ability inspiration and intrigue standards (the joy guideline, law of impact or fortification) further reinforces the case.

However, the cognitive abundance from moral improvement goes farther. An enthusiasm for recognizing realities from esteem decisions had driven current brain research to clarify profound quality away. Taking roughly reductionist stands, behaviorists depicted profound quality as outward adjustment to the predominant ethos of one's social climate. Freudians, thus, portrayed ethical quality as a blend of silly powers conceived of organic drives, combined with personality guarded adapting despite social dangers and pressures. These depictions not just make a distinction between moral way of thinking and the brain research its perspectives must ride on practically speaking, yet between moral hypothesis and sociology for the most part. Cognitive developmentalism

reestablished the part of reason and separating feeling in moral decisions. It gave a focal part to self-assurance and unmistakably moral self-rule for sure. Intellectual examination follows the itemized mental cycles by which kids unwittingly, yet usefully reproduce their own frameworks of thought and self. In this manner they oppose the pressure of acquired and mingled impacts enough to deal with their deduction in certainty utilising these powers as crude materials for organizing their idea. Following these cycles gives observational proof of the profound, two-level kind of self-assurance on which even the most realist and self-governance centered philosophical morals of Kantianism can stand. Brain research's more sensible and mixed thought of "discernment" likewise proposes approaches to defeat reasoning's own pre-experimental gap among logic and emotivism or related voluntarism and determinism.

Further exploration on meta-perception shows that even sound judgment thinking recognises intrigued values, moral shows, and independent profound quality. It portrays the previous as simply intrigued and traditional, as ethically subjective and relative, much the same as tastes and prevailing fashions. On the other hand, it needs to conjure contemplated uphold and approving proof. Realistic thinking goes further in crediting particularly moral obligation to individuals for oneself decided decisions and independent self-articulations they make. While old philosophical perspectives set our minds steering the ship of "regular turn of events," they additionally gave the climate a managing job. On this variation model social climate "watered" our inward development, however gave the channels through which it unfurled appropriately. Except if society and nature remained inside the "typical," "common," or in any event, inviting reach, our self-improvement and character would get hindered. With an advanced brain science isolated into hippies or geneticists on improvement, a cognitivist restoration of the social interactionist, moral adaptively viewpoint was a critical development.

5.10 MORAL REASONING

Moral reasoning is an investigation in brain science that covers moralways of thinking. Beginning from early, individuals can settle on moral choices about what is good and bad; this makes ethical quality crucial to the human condition. Moral thinking, in any case, is a piece of profound quality that happens both inside and between people. Moral reasoning is a deduction cycle with the target of deciding if a thought is correct or wrong. To realise whether something is "correct" or "wrong" one should initially comprehend what that something is planned to achieve. Hence, to know whether "this course" is the correct bearing to follow to get to a bistro, one should initially know where one is, the place the café is, and the territory among to a great extent and then again, to know whether this activity is the correct move to make, one must recognise what one needs to achieve, where one is, the climate and the refined state (for instance, to intrigue my chief, I need to realise what is probably going

to dazzle him/her, what I, myself, can accomplish at the work-place or where he/she would watch, and so forth).

An ethical decision can be an individual, monetary, or moral one; as depicted by some moral code, or directed by moral associations with others. This part of brain research is worried about how these issues are seen by normal individuals, as is the establishment of clear morals. There are various types of good thinking which frequently are directed by culture. Social contrasts in the elevated levels of intellectual capacity related with moral thinking can be seen through the relationship of mind networks from different societies and their ethical dynamic. These social contrasts exhibit the neural premise that social impacts can have on a person's ethical thinking and dynamics. Along these lines, to know whether something (a thought, an activity, a conduct) is "correct" one needs to realise both what one expects to achieve and the climate that exists "here" and "there.

However, that by itself isn't sufficient! To go to a bank and compromise with the clerk may well achieve your point since you realise security is feeble and the possibility of being caught is low. There is a third thought: is it useful for the individuals who live around me, and gracefully the things my taken money will purchase. Here we have a further predicament: a snappy infusion of taken money may well assist my nearest providers; however, where would it be a good idea for us to draw the limit? The area?The city?Our Nation? Or on the other hand the entire world? Just this last explanation: Good for all humankind, yields "moral thinking" Agreeable answers for issues are dictated by utilizing this guideline. Issues or practices are hard to illuminate when either the climate or the ideal achievement is not entirely perceived from a worldwide point of view. (Religions face this trouble.)

Along these lines, moral thinking can't be accurately performed until what is looked for and the encompassing overall climate is completely perceived. A model: is it "right" to utilise fetal undifferentiated cells? Just by first choosing "what" the utilization is planned to achieve and if the method of achieving this is perceived could such an inquiry be replied?

5.11 SUMMARY

In this Unit, we have talked about the definition and different issues regarding moral philosophy. We have discussed the definition and its different perspective. After discussing definition and different perspectives we have discussed teleology and deontology. After that we have discussed the relativist perspectives, virtue ethics, justice & fairness, ethics of care followed by integration of the various perspectives. In the end cognitive moral development and moral reasoning have been discussed.

We have also discussed the most ideal approach to make this embodiment as an activity taken by corporations who try and rouse their representatives in such exercises and make it a required work.

5.12 KEY WORDS

Deontology: It is a way to deal with morals that decides goodness or rightness.

Inalienable: Means that cannot be denied or transferred to another person.

Cognisant: It means knowledge of something especially through personal experience.

Benevolence: It means tendency to help or do good to others

Arbitrary: It means based on random choice or personal whim, rather than any reason or system.

Temperance: It means control of your own behavior in modern use defined as moderation or voluntary self-restraint.

5.13 SELF-ASSESSMENT QUESTIONS

Q.1. Define the moral philosophy and describe its different perspective in brief.

Q.2. What do you mean by teleology?

Q.3. Describe the deontology in detail.

Q.4. Discuss the relative perspective of moral philosophy.

Q.5. Describe the virtue ethics.

Q.6. Write a short note on justice and fairness.

Q.7. Write a short note on following:
   a) Ethics of Care
   b) Integration of Various Perspectives

Q.8. Discuss cognitive moral development.

Q.9. Describe the moral reasoning in detail.

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UNIT 6: CORPORATE CULTURE AND LEADERSHIP

UNIT FRAMEWORK

6.1   Purpose

6.2   The Role of Corporate Culture and Leadership

     6.2.1   Retention of Employees

     6.2.2   Image

     6.2.3   Efficiency

     6.2.4   Quality

     6.2.5   The Role of Leadership in Corporate Culture

6.3   Structure and Business Ethics

     6.3.1   Formal Structure and Business Ethics

     6.3.2   Rational Structures and Business Ethics

     6.3.3   Advantages and Disadvantages of Structure

6.4   Summary

6.5   Key Words

6.6   Self-Assessment Questions

6.7   Text & References

6.1   PURPOSE

The objectives of this unit are:

- To discuss the role of corporate culture and leadership
- To explain the structure and business ethics

6.2   THE ROLE OF CORPORATE CULTURE AND LEADERSHIP

The ethical culture in an association can be thought of as a cut of the general corporate culture. In this way, if the corporate culture speaks to "how we get things done around here," the ethical culture speaks to "how we get things done around here according to ethics and ethical conduct in the association." The ethical culture speaks to the association's "moral character."

From an ethical framework's viewpoint, making and continuing a solid ethical culture is the way of making an association that supports individuals settling on great moral choices and acting morally and consistently. There are endless

powers and factors that lead individuals to take ethical alternate routes. However, when all applicable corporate frameworks are pushing individuals in a similar moral way, moral disappointment is substantially less likely.

According to Investopedia, "Corporate culture refers to the beliefs and behaviors that determine how a company's employees and management interact and handle outside business transactions. Often, corporate culture is implied, not expressly defined, and develops organically over time from the cumulative traits of the people the company hires. A company's culture will be reflected in its dress code, business hours, office setup, employee benefits, turnover, hiring decisions, and treatment of clients, client satisfaction and every other aspect of operations."

According to Trevino and Nelson, ethical culture should be thought of in terms of a multi-system framework that includes formal and informal systems that must be aligned to support ethical judgment and action.

In other words it can be said that organisational culture is a set of values that defines a company. It defines the behaviors and actions employees should take to create a positive environment while helping the business to succeed. Organisational culture also guides a company's mission and objectives, making it important to clearly define.

Each organisation, from small private ventures to huge enterprises, has a culture. The way of life alludes to the qualities and perspectives of workers in the business or association. In a business with an undesirable culture, representatives go about as people, playing out their obligations to address their own issues, for example, a cheques or medical advantages. A sound corporate culture esteems every representative in the association paying little heed to his occupational obligations, which bring about workers functioning as a group to meet the organisation's and their very own needs. Sound corporate culture improves the presentation of a business in various territories.

6.2.1 RETENTION OF EMPLOYEES

In an organisation that potential labourers are fit for their commitment to the business, representatives experience high assurance and an inspirational demeanor toward the organisation. Laborers with an inspirational demeanor are faithful to the association, which diminishes representative turnover. Specialist turnover has a significant expense to a business, with expanded expenses for enrollment, recruiting and preparing. A solid corporate culture can support an organisation to hold important workers and lessen HR costs.

6.2.2 IMAGE

Organisations with a solid corporate culture increase a positive notoriety among possible specialists, which may draw in gifted and talented laborers to

the organisation. Notwithstanding pulling in top notch laborers, an all-around respected business notoriety permits the organisation to charge a more exorbitant cost for items and administrations and expands the estimation of the organisation in the monetary market. Clients may like to direct business with a strong corporate notoriety too.

6.2.3 EFFICIENCY

The improved spirit of laborers in an organisation with a sound corporate culture builds profitability. At the point when laborers increment profitability, the budgetary soundness of the association improves, and benefits increment. Increments in profitability are a measure that shows efficiencies and viability in the organisation. Workers profit by increments in profitability with more significant compensations in representative advantage programmes.

6.2.4 QUALITY

Sound corporate societies urge laborers to convey quality items and administrations. Organisations with societies esteeming the best expectations make an air for laborers to convey items that satisfy those high guidelines. The social guidelines for greatness are a significant factor for making an item or administration with a notoriety for high caliber.

6.2.5 THE ROLE OF LEADERSHIP IN CORPORATE CULTURE

Initiative is fundamental to driving the moral culture from a formal and casual point of view. Officially, pioneers give the assets to execute structures and projects that help morals. All the more casually, by their own actions; chiefs are ideal examples of those whose actions speak louder than their words, passing on "how we do things around here." Other conventional frameworks incorporate choice frameworks, arrangements and codes, direction and preparing programmes, execution of the board frameworks, authority structures, and formal choice cycles. On the casual side are the association's good examples and legends, the standards of day by day conduct, hierarchical ceremonies that help or don't uphold moral direct, the accounts individuals tell about the association and their suggestions for lead, and the language individuals use.

Each employee impacts an organisation's course; however, administration has by a wide margin the biggest and most direct impact on organisation culture, which rotates around representative commitment, climate, environment and the achievement of the organisation and its customers.

Leadership influences the certainty of the staff and whether they consider missteps to be open doors for learning or disappointments that harm the self-esteem of the worker. Initiative develops the establishment of culture to engage representatives to accomplish the organisation mission and acknowledge how

indispensable every one of their commitments is to facilitating those objectives.

6.2.5.1 Leaders Represent an Example What They Want

Leaders have an obligation to show the convictions of the organisation and fortify practices that mirror those qualities. "Be the change you need to see" or fill in as an incredible maxim as a CEO. You realise you don't get a break since you at long last gained your part at the top. Regardless, you need to work more earnestly and remain down and dutifully to stay pertinent; however you additionally need to broaden your endeavors and exploration to improve for future achievement

Your practices at work, your correspondence style and how you handle wins and mishaps all influence organisation culture. You can't designate the way of life your representative's experience. On the off chance that you need to reflect specific qualities, show those qualities in your activities. The best chiefs realise how to join characteristics: 13 percent of pioneer's centre on the individual behind the information the pioneer drives results and stays charming, and this lifts employee commitment.

6.2.5.2 The Leader Drives Eagerness for Constant Learning

Regardless of passage level or senior-level, all workers have something to show each other. Leaders hold top to bottom information on how the driving force of their organisation works, finding out about every worker as in excess of a pinion in the machine. The pioneer communicates and exhibits an enthusiasm for representative development.

Experiential learning supports maintenance scores by 90% and exemplifying the idea that missteps give occasions to training and advancement rouses representatives to create existing and new aptitudes. The much-wanted "relentless" culture gets from an ache to learn and investigate, not keep up, which makes a characteristic environment of joint efforts and imagination lined up with fun and execution.

6.2.5.3 The Leader Focuses on Societal Excellence for Employees and Clients

The drive to persistently learn proves to be useful when you should resolve a fundamental issue for a customer. Here and there, the best goals happen as cheerful astonishments in the easiest of bundles. The best business systems think about the requirements of every customer from different perspectives and guarantee your workers for remaining ready to follow the customer venture.

Eventually, the effective pioneer centres on the social status of both representatives and customers. This methodology changes a stale pioneer into a persuasive one who illuminates issues inventively while estimating the bigger effect of the organisation's administrations and items. Pioneers place their

consideration on the more profound needs and wants of humankind which drive what gracefully and request really throughout everyday life and business. Innovation interfaces individuals progressively around the globe which place greater social duties on organisations, and pioneers too perceive that reality.

6.2.5.4   Leaders Concern about Employee Welfare

How does your organisation show it thinks about the entirety of its representatives? Separating the expert from the individual no longer applies in present day work culture. While keeping up an expert persona matters, a worker's prosperity legitimately impacts how they perform and connect with at work.

Gallup found that workers who flourish in five specific centre components of prosperity are 81 percent more averse to stop and get another line of work, setting aside their organisation's cash on medical care when more than physical requirements are met. Work participation increments and client evaluations go up. Issues get settled all the more successfully and rapidly, and representatives adjust all the more quickly to change. Those five parts of prosperity incorporate physical, social, network, monetary mechanisms and reasons. Numerous businesses offer an exercise centre enrollment, however numerous organisations don't give much else in the method of prosperity activities. Despite the fact that 80% of bosses offer wellbeing data and assets, administration battles with the "how" part of health activities. Bosses can address their staff's issues by giving greater adaptability, putting resources into a proficient turn of events, empowering socialization and building preferred leave strategies over the legislature needs, for instance.

Moreover, administration shifts and each leader impact the changing work culture, which can undoubtedly go from great to awful or from terrible to more awful. Leaders must respect the individuals who proceeded if the motor runs well, however change is unavoidable and workers and leaders all have an impact. At the point when representatives feel occupied with a dynamic and caring work culture, their exhibition, pride and unwavering soar the organisation and its customers to progress.

6.2.5.5   Leaders Characterize and Instruct Basic Beliefs

A solid culture is recognised by immovably held basic beliefs that are sorted out, shared and communicated by representatives. Pioneers should be good examples who show practices that mirror the organisation's basic beliefs. Powerful leaders show their representatives what moves they should make to completely grasp work environment esteems. It is the obligation of a leader to interpret the mission of an association into substantial outcomes.

6.2.5.6   Leaders Cultivate a Craving to Learn

A quality chief shows an authentic enthusiasm for advancing the development of his/her representatives. Thus, they unreservedly share what they know with others. They help colleagues manufacture a lifelong way, at that point share the information that the representatives need to follow.

Leaders advance the possibility that workers can gain from any chance. By urging representatives to face challenges so as to develop their insight base, viable pioneers can encourage a culture of learning and development. Representatives who have a sense of security to investigate and learn may discover their work all the more satisfying and significant. They feel more slanted to team up and gain from others.

6.2.5.7　　Leadership Promotes a Culture of Acknowledgment

At the point when pioneers let workers realise that their commitments are important, they encourage a culture of acknowledgment. The undertaking of the leader is to compensate and boost difficult work and great conduct. At the point when pioneers give good commendation, they assist representatives with feeling satisfied and sure.

Leadership encourages a culture of appreciation. Quality leaders urge their workers to perceive different associates for their positive commitments. For example, during a group meeting, a supervisor could solicit collaborators to share explicit cases from their experiences and practices. A working environment culture where everybody commends achievement fabricates more grounded groups.

6.2.5.8　　It Supports a Common Vision

Efficient leaders characterize a mutual objective for everybody to make progress toward the institutional vision. They advance a dream of things to come that is positive and worth considering. By delineating point by point, they tell colleagues the best way to effectively arrive at an objective. Workers get away from their part inside any aggregate cycle and team up to accomplish a common vision of things to come.

Having the option to portray a sensible vision motivates representatives to be more gainful. At the point when they achieve objectives, workers feel satisfied and esteemed. Getting results causes a culture of confidence building wherebyworkers see how they add value to the organisation.

6.2.5.9　　Leadership Changes the Way of Life

Leaders need to comprehend that work environment culture persistently develops and changes. Understanding the dynamic idea of the work environment encourages them to direct their colleagues through these changes.

At the point when changes in organisation culture need to happen, pioneers have an obligation to convey the data to workers adequately. Social changes require clear correspondence with each individual in an association. Leaders who esteem working environment culture comprehend that their obligation is to keep effectively making and maintaining a solid authoritative culture in his context. They show their colleagues what practices line up with the social changes and what practices should be adjusted.

6.2.5.10 Leadership Improves Occupation Fulfillment

Occupation fulfillment is the inclination of how well the workplace addresses the issues of representatives. It depends on a worker's assessment of the organisation's esteems and how they concur with their fundamental beliefs. An assortment of variables impact work fulfillment, including the nature of authority. Leaders should be aware of how their authority style influences workers.

Employees who are happier with their work are bound to have better occupation execution. Picking an authority style that benefits an association and its representatives is one of the best approaches to improve work fulfillment. Numerous authority styles exist, and it's entirely expected to utilise a few kinds of dependent variables on the circumstance. A few chiefs utilise a mix of numerous styles to meet their requirements.

6.2.5.11 Accountability

Accountability is a fundamental perquisite for leaders to shape hierarchical culture. Leaders consider individuals responsible to guarantee that they stay liable for finishing their work. Leaders need to show workers that authoritative culture exists to direct them to progress. Having a culture of responsibility beginning with far reaching sets of expectations that layout proportion of accomplishment is of paramount significance.

6.3 STRUCTURE AND BUSINESS ETHICS

Structure assumes a significant part in various hierarchical choices and exercises. Here, the meaning of structure has three segments:

- The structure assigns the conventional revealing connections. It recommends the degrees of progressive system that the organisation would have and the range of control for each level.
- The structure recommends the gathering of authoritative individuals into offices and divisions of an organisation.
- The structure recognises the frameworks for coordination, correspondence and mix of endeavors made by authoritative individuals over the organisation.

Consequently, the structure spreads out the entire establishment of the organisation. Structure recognises the number of divisions working there in the association indicating who is answerable to whom. It additionally distinguishes the frameworks through which different divisions are facilitated to achieve the normal authoritative target.

Despite the fact that the essential target of any business is to benefit, it must just add to business' money related assets. The benefits gained dishonestly would lead the business no place in the present situation. The clients know today and the laws are accordingly updated and implemented. On the off chance that the business is discovered to be occupied with untrustworthy conduct of any sorts, it can destroy its altruism for eternity. Different specialists have given that the authoritative structure of a firm has a parcel of effects on the moral conduct appeared by the firm. As Ferrell has stated, "An association's structure is imperative to the investigation of business morals on the grounds that the different jobs and sets of expectations that include that structure may open doors for dishonest conduct."

6.3.1 FORMAL STRUCTURE AND BUSINESS ETHICS

While formal structures might be fundamental for business associations, they are not adequate for guaranteeing business morals. Moreover, moral preparation to organisation chiefs isn't satisfactory to advance moral conduct inside an organisation. It is hence basic for organisation directors to make contemplations and create hierarchical structures that favor moral sensitivities as opposed to sabotaging moral conduct. There are three basic qualities that influence moral conduct inside an organisation. They include:

Prize and reward frameworks whether financial or non-money make a stage on which laborers resort to exploitative practices in quest for remunerations. Laborers may settle on unscrupulous choices, for example, double dealing to clients to accomplish commendable execution for the simple explanation of getting a prize.

Execution assessments are frameworks inside an association that assess execution of partners accordingly. In many occasions excellent entertainers are constantly compensated with either advancement or pay increase. This structures a ready area for unscrupulous dynamics. It is significant for the association board to clarify that hierarchical objectives are a definite motivation behind the institution yet on a similar note underscored on the need to think about the way in mind. Likewise, the exhibition assessment frameworks ought to be concocted not exclusively to evaluate the substantial outcome yet to get back to the people for their general and social contribution.

Provision of dynamic rights to laborers carries a lot of significance for the general administration of an association; it can similarly be a dangerous plan to give workers the option to settle on choices of their own with respect to certain

authoritative issues that may result in delicate outcomes. If there is no connection to knowledge and the option to agree on authoritative choices, then dynamics, whether formal or decentralised, will inevitably fade out.Chiefs inside the positions of a conventional association may settle on untrustworthy choices due to absence of information with respect to the results of their choices. By a similar token, decentralized authoritative structures may capitulate to the ruinous results of exploitative dynamics since workers may settle on shaky choices as a gathering may from departure responsibility. Notwithstanding, on the off chance that the dynamic cycle in decentralized frameworks are all around observed, at that point odds of positive conduct change in representatives are high.

6.3.2 RATIONAL STRUCTURES AND BUSINESS ETHICS

Though it is hard to comprehend the connection among structures and business morals, comprehend that organisations with balanced frameworks can be utilised to cultivate moral dynamic. Organisations with objective activity frameworks give a workplace that advances business morals and good thinking as far as dynamic. Dependable frameworks are valuable to an association since they have very much spread out plans of achieving authoritative objectives subsequently restricting the potential outcomes of untrustworthy choices to accomplish hierarchical objectives.

Dependability is just methods of the capacity of a framework to consistently deliver victories when utilised again and again. Organisations with solid frameworks are hence viewed as effective associations on the grounds that they are capable of accomplishing their ideal goals. In such a manner, dependable frameworks can be utilised to advance business morals since associations will look to keep up their norm rather than utilization underhand procedure which may water down authoritative notoriety.

Regularly, deceptive choices consistently emerge in circumstances where people are slanted to fulfill their own advantage as opposed to the overall enthusiasm of the association. Nonetheless, solid frameworks can be intended to guarantee that people notwithstanding serving their own advantage settle on morally cool headed choices. It is in this way imperative to consider the necessities of all partners in an association and plan a solid hierarchical framework that advances business morals.

There are two manners by which unwavering quality can be incorporated into an association, that is, excess and imperative assortment. Excess alludes to the unforeseen estimates set up in a function of disappointment. These activities may incorporate responsive measures just as elective ways to deal with accomplishing authoritative objectives. Essential assortment guarantees that an association has enough inward frameworks set up to adapt to the complex ecological elements that influence the organisation.

The idea of excess be that as it may, doesn't welcome the hypothesis of levelheaded frameworks in advancing moral conduct. This is on the grounds that dynamic is unified and accordingly emotional with no space for examination. The top administration has the last say on what occurs inside the association. Repetition is relevant in associations with tight guidelines without any measures set up to permit adaptability in dynamic if there should be an occurrence of unexpected circumstances.

Imperative assortment is basic in the dynamic frameworks inside an association. It empowers associations to evaluate and bring up ecological changes influencing the association and brief for elective answers to be created by leaders. Studies propose that having an assortment of answers for a course decreases the potential outcomes of settling on exploitative choices (Husted, 1993). An association can present essential assortment by building up a top managerial staff including agents from each degree of an association. It is similarly basic to appoint oversight frameworks to screen and give issues with arranged blueprints and give proposals and options in contrast to the equivalent.

Planning organisations dependent on dependability has its own impediments. By a similar token, consolidating excess capacities in an association has cost restrictions particularly in high danger conditions where the expense of executing such frameworks may exceed the advantages. Other than utilizing excess capacities to encourage business morals, it is likewise imperative to see how control frameworks in an organisation influences dynamic.

6.3.3   ADVANTAGE AND DISADVANTAGE OF STRUCTURE

In spite of the fact that there are numerous sorts of authoritative structures, extensively there are incorporated and decentralized hierarchical structures. Both these have their own favorable circumstances and weaknesses to business morals. Unified associations are described by grouping of intensity at the top and there is little degree for appointment of power. Such structures are said to advance unscrupulous conduct in the association on the grounds that there is no collaboration between the chiefs at the top and the representatives at the most reduced degree of association. Likewise, there is not really any upward correspondence because of which the individuals at the top never come to know about exploitative exercises going on at lower levels. Such a structure additionally advances accuse moving as representatives may attempt to move the fault for their off-base activities on others.

Decentralized association structure centers on appointment of power and individual obligation. Such structure additionally advances exploitative conduct among hierarchical individuals in light of the fact that there are autonomous benefit communities which settle on their own choices and once in a while these units go astray from authoritative targets and serve their

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individual advantages. Decentralized structures run on representative strengthening yet in the event that the workers misconstrue their capacity; this may prompt shameless acts by representatives. There are additional risks that center level administrators when pressure from the top may apply superfluous tension on lower level workers and this may again prompt untrustworthy conduct in the association.

6.4 SUMMARY

In this Unit, we have discussed the role of corporate culture and leadership and for explaining this topic we have discussed different points like retention of employees, corporate image, efficiency, quality and also explaining leadership role. The latter structure and business ethics are discussed in this unit and for explaining it we have discussed various points' likes formal structure, rational structure, advantages and disadvantages of structure.

Each organisation, from private ventures to huge enterprises, has a culture. The way of life alludes to the qualities and perspectives of workers in the business or association. In a business with an undesirable culture, representatives go about as people, playing out their obligations to address their own issues, for example, a check or medical advantages.

Dependability is just methods of the capacity of a framework to consistently deliver victories when utilised again and again. Organisations with solid frameworks are hence viewed as effective associations on the grounds that they are capable of accomplishing their ideal goals. In such a manner, dependable frameworks can be utilised to advance business morals since associations will look to keep up their norm rather than utilization underhand procedure which may water down authoritative notoriety.

6.5 KEY WORDS

Territory is an organized division of an area.

Convictions Is something certain, a judgment of quality in court and a strong belief are both convictions.

Enthusiasm is a strong feeling of excitement or interest in something and a desire to become involved in it.

Altruism is the fact of caring about the needs and happiness of other people more than your own.

6.6 SELF-ASSESSMENT QUESTIONS

Q.1. Explain the role of corporate culture in business ethics.

Q.2. Explain the role of leadership in business ethics.

Q.3. How does a healthy corporate culture improve the performance of a business?

Q.4. Write a short note on followings:

1) Retention of Employee
2) Efficiency

Q.5. Discuss the advantages and disadvantages of structure.

Q.6. Describe the structure and business ethics.

Q.7. What do you mean by formal structure?

Q.8. Discuss the rational structure in brief.

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UNIT 7: INTERPERSONAL RELATIONSHIPS IN ORGANISATION

UNIT FRAMEWORK

7.1   PURPOSE

The objectives of this unit are:

- To understand the concept of interpersonal relationship.
- To explain the motive of developing interpersonal relationships.
- To describe different types of interpersonal relationships.
- To explain different stages of interpersonal relationships.
- To explain the importance of interpersonal relationships.
- To explain the way through which interpersonal relationship skills can be improved.

7.2   INTERPERSONAL RELATIONSHIPS IN ORGANISATION

7.2.1   CONCEPTUAL FRAMEWORK

Man requires different conditions with explicit characteristics on the off chance that he is to endure and furthermore needs to keep in touch with these conditions. Through his absolute conduct he carries on a sufficient trade with them. One of the fundamental conditions unconventional to man is relational climate for example the way toward associating with others turns into a

trademark example of human conduct from the get-go throughout everyday life. This example of cooperation from the outset and adolescence turns into the example of relational relationship which describes the living of every person. The newborn child builds up through the cycle of sympathy. He places everything in mouth that draws near his compass and on the off chance that he has a warm, quiet and agreeable climate; we foresee that he feels warm, quiet and agreeable. Then again on the off chance that he has chilly, tense and agonizing he will feel cool, tense and difficult. As the baby develops the method of identifying with his current circumstance starts to change. He mimics people with whom he cooperates most essentially in juvenile and grown-up life.

The interpersonal relation movement centers on human emotions and mentalities. Cooperation and coordination can only be achieved if each and every member of the health care team develops effective interpersonal skills to establish good interpersonal relationships with patients and their family members, significant others and co-workers. You will probably not be able to establish interpersonal relations, you will be unlikely to get the real facts, understand the real problems, and get others to help or be an effective member of the health care team.

According to Wikipedia, "The concept of interpersonal relationship involves social associations, connections, or affiliations between two or more people. Interpersonal relationships vary in their degree of intimacy or self-disclosure, but also in their duration, in their reciprocity and in their power distribution, to name only a few dimensions. The context can vary from family or kinship relations with associates, work, clubs, neighborhoods and places of worship."

Interpersonal relationships can be defined as a state of being mutually or reciprocally interested. The entire cycle of interpersonal relationships suggests the interaction of two or more persons or things in which changes continuously occur.

Interpersonal relations are worked through social affiliations, associations, or affiliations between at least two individuals. Such connections might be plain, clandestine, or maybe even virtual. On occasion, it could be non-verbal communication or discourse. Interpersonal relation frequently blends the express and certain interaction modes, which might be engaged or unfocused. Promoting individuals attempt to create focused interpersonal relation with the clients.

Records and organisation individuals attempt to stay unfocused in their interpersonal relationships with representatives of different offices due to the privacy engaged with their work. Through interpersonal relationships, we cause self-divulgence, to give criticism, apply force, and show regard. Culture and language characterize the degree of interpersonal relationships.

Variation in interpersonal relationships is also possible because of the extent of questioning and challenge. Power differentials greatly influence interpersonal relationships. Also interpersonal relationships vary with respect to intimacy and sharing. They may or may not centre on things shared in common.

Variety in interpersonal relationships is additionally conceivable in light of the degree of addressing and challenge. Force differentials extraordinarily impact interpersonal relationships. Additionally relational connections fluctuate regarding closeness and sharing. They could possibly fixate on things partook in like manner.

7.2.2 MOTIVES OF DEVELOPING INTERPERSONAL RELATIONS

The motives can be classified into two groups on the basis of certain features:

7.2.2.1 Positive Motive

Positive motives are fundamental for building up a confiding in a relationship for example taking an earnest enthusiasm for other people and authentic longing to support them. Compassion, compassion, mindfulness, love, expectation, self-rule and commonality are the fundamental standards of positive interpersonal relationships.

7.2.2.2 Negative Motive

1) A few people create relationships for their own benefits. They are interested uniquely towards one individual from whom they anticipate some addition and thoroughly disregard others as a lifeless thing. You probably observed this sort of individuals in your everyday interaction with numerous individuals

2) Testing the quality of one's own character by applying pressure upon others to act the way she/he needs her/him to act.

3) Justifying the presence of one's own contention by demonstrating a mentality of predominance in feeling that others are more awful off than am.

4) Acting out her own conflicts

7.2.3 TYPES OF INTERPERSONAL RELATIONSHIP

7.2.3.1 Interdisciplinary Relationship

Interdisciplinary relationship exists between different wellbeing experts, for example, specialists, medical caretakers, social laborers, drug specialists, dietician, physiotherapist, word related advisor, etc. Every one of these experts comprises a medical services group. Inside the medical services group, shared regard and certainty encourage opportunity of articulation, empowering the colleagues to report perceptions, offer thoughts and take dynamic part in creating and executing settled upon care plan of their patient.

7.2.3.2   Intra-Disciplinary Relationship

The Intra-disciplinary relationship is seen inside a similar expert gathering. It is seen on two planes; the official chain of command position, for example, predominant subordinate relationship, and friend connections, for example, between medical attendants, between different experts, among dieticians, etc. Intra-disciplinary relations on progressive measurements are less hazardous on the grounds that righteousness of the status the subordinate needs to comply with the order of prevalent, regard her and is responsible for every one of her exercises. A legitimate line of power and correspondence helps in building up great relationships. For example, an agent nursing Superintendent is responsible to the Nursing Superintendent, the ward in control to partner nursing director, etc.

Peer relationship includes genuine colleagueship or then again, slandering and rivalry for example staff nurture staff nurture relationship. The relationship here can be generally excellent as a result of the soul of colleagueship or clashing circumstance may emerge in light of belittling to the better than bringing down one another's picture for getting advancement or individual increase.

7.2.3.3   Nurse-Client Relationship

Nurse-client relationship is alluded to by some as interpersonal relationship, by others as restorative connections and still by others as helping relationship. The cycle of connection among medical attendants and patients begins on the absolute first day of his admission to the ward. The cycle of collaboration between at least two people speaks to an arrangement of verbal and non-verbal practices that are objective coordinated. They commonly recognise objectives and the way to accomplish them. At the point when they concur on the way to actualize the objectives, they move towards exchanges. Exchange is characterized as objective achievement.

Open communication dependent on shared regard among client and attendant is cardinal in deciding precise conclusion, treatment and assessment of care. Interpersonal relationship is the vehicle for the use of nursing measures. From the time the customer and the medical caretaker initially meet and all through their contacts, progress in identifying with one another will be reflected in the level of achievement of the nursing care objectives. The medical attendant should subsequently have the option to utilise the information on communication and of improvement of self to encourage the development of interpersonal relation with the patient.

7.2.4   DIFFERENT ASPECTS OF INTERPERSONAL RELATIONSHIPS

There are different aspects of interpersonal relationships:

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- The workplace behaviour should follow the ethics of the workplace. It should be essential that the behaviour is professional at the work. For a good interpersonal relationship an employee must not misbehave with any of his colleagues. There should not be any leg pulling, criticism or backbiting. It is better to avoid a co-employee if anything is not liked in him instead fighting or arguing with him. Workplace colleagues can be friends as well but one must know where to draw the line. Too much of friendship is harmful and spoils relationships among employees.

- An employee must not interfere in his colleague's work. For this it is necessary that job responsibilities between two employees do not overlap. Overlapping of job responsibility leads to employees interfering in each other's tasks and eventually fighting over small issues. One should be concerned only with his work rather than trying to find out what the other employee is up to.

- Provision of space to the co-employee is essential for a healthy interpersonal relationship. Overhearing the conversation of the co-employee is strictly unprofessional. An employee must not open envelopes or letters not meant for him. Such practices lead to severe displeasure among employees and eventually spoil relationships.

- Rumours are the biggest enemy for a healthy and an effective interpersonal relationship. An employee must not believe in any rumours nor does he contribute to spreading rumours at the workplace. It is always better to discuss the things with the co-employee in private rather than publicizing the thing.

- If some information is required to be shared with any of the co-employee then it is to be ensured that it is shared in its desired form. Data tampering and playing with information spoil relationships among colleagues and lead to confusions at the workplace.

- It is essential that any confidential information is not shared with the co-employees. One never knows when it can get misused, sometimes even unintentionally. Employee must not trust his co-employee blindly.

- There is no place for ego in interpersonal relationships and hence ego should be kept away at a distance. Personal tensions should not be brought to the work. An employee should think before he speaks. Making fun of co-employees is something which is not at all expected since it can create serious fissures in the relationships.

- For a healthy and effective interpersonal relationship, employees must stay away from politics at the workplace. It is necessary to support a co-employee when he is under pressure or he is in any problem. Also his good work is to be appreciated so that he gets encouragement and gets further motivated. One must not be jealous of the co-worker. Jealousy always harms in the long run. There should be healthy competition among the employees for a healthy environment at the workplace.

7.2.5 IMPORTANCE OF INTERPERSONAL RELATIONSHIP

The importance of interpersonal relationships in working environment is apparent from the accompanying advantages:

1. Problem Solving: Interpersonal communication skills are necessary because they allow people to discuss problems and weigh the pros and cons of alternatives before coming up with the final solution.For example, brainstorming exercises are situations in which interpersonal communication comes into play as it is very important that everyone feels respected and free to share their voice, ideas and views.

2. Alignment with Business Goals: Poor communication between employers and employees can harm the business in many ways. When managers and leaders are unable to clearly communicate tasks, workers can quickly become frustrated and disconnected with the business goals. Moreover, many employees say that their managers don't give those clear directions and goals for their work.Therefore, managers should be able to, with proper online and offline communications as well as the right internal communication tools continuously align employees with the business strategy.

3. Trust: According to the American Psychological Association, a quarter of employees in the US don't trust their employers, and only about 50% of them believe that their bosses are open with them. Lack of trust and transparency are some of the most common causes of poor workplace communication. Interpersonal communication skills are crucial for improving trust and workplace communication, and all employees, especially business leaders, should therefore improve communication with their employees.

4. Change Management: Good interpersonal communication is very important during change management efforts withinorganisations.Effective employee communication helps employees better understand the change, align with it and collaboratively work towards implementing the change successfully.

5. Company Culture: Interpersonal relationships, especially when executed well, are important for an organisational culture to thrive. This ultimately ruins the work environment, reduces employee productivity, and adversely affects the company's bottom line.

6. Employee Recognition: Good interpersonal communication drives more employee recognition. When employees have good interpersonal relationships with each other and their managers, they are more likely to recognise each other's good work and give constructive feedback.

7. Workplace Miscommunication: Managers who maintain professionalism, open workplace communication and a positive attitude are more likely to be seen as approachable by their employees.When employees feel like they can

speak openly with decision-makers, workplace miscommunication, gossip and rumors are much less likely to happen.People with good interpersonal communication skills can, therefore, build healthy relationships with their colleagues and work much better as a team.

9. Effective Management and Leadership: The ability to foster interpersonal relationships, establish trust and communicate clearly is all crucial skills for an effective leader.When a manager has poor interpersonal communication skills, they can expect to irritate and confuse employees. In fact, there is a greater need for managers to work on their interpersonal skills than there is for the average employee.

10. Employee Success: Good interpersonal communication skills are also necessary for managers to help their employees do their jobs successfully. Leaders need to be able to pass on the right skills to skills.

11. Conflict Management: Conflict is normal in the workplace, and we can't always expect our employees to resolve conflicts in a calm and timely manner. When conflicts like this arise, interpersonal communication becomes crucial for resolving them.Conflict management cannot happen without effective interpersonal communication. In fact, all conflict management strategies that use communication to soften situations in stressful environments are much more successful.

12. Career Development: As many employers are looking for workers with good communication skills, continuous improvements of interpersonal communication skills can bring career progressions for many employees. Moreover, in a survey conducted by Workforce Solutions Group, it was revealed that more than 60% of employers say that applicants are not demonstrating sufficient communication and interpersonal skills to be considered for jobs.In addition, the increasing prevalence of communication technologies means that employees and communicators now have to adapt to the new employee communication trends.

13. Remote Work: This year, we have all witnessed the importance of communication in the workplace. With the emergence of remote work, interpersonal communication among peers, colleagues, managers and leaders has been disrupted. Yet, it is more important than ever before.In order to keep their cultures open and transparent, employers need to continue to drive engaging workplace conversations even when employees are physically dispersed.

14. Crisis Management: In addition to remote work, many employers will remember 2020 as the year of crisis management. One of the characteristics of companies that manage crises more successfully is for organisations to communicate the impact of the crisis on both personal and company-wide levels.

7.2.6 THE WAY THROUGH WHICH INTERPERSONAL RELATIONSHIP SKILLS CAN BE IMPROVED

Interpersonal relationships in an organisation are basic for the occupation just as professional achievement of individual representatives. Be that as it may, they likewise require a great deal of endeavors with respect to the representatives to support and look after them. Following are a portion of the tips that can assist you with improving your interpersonal relationship aptitudes and make a definitive progress you want:

7.2.6.1 Interact With Your Colleagues More Often

Welcome your colleagues each day you see them regardless of whether they are from an alternate group. Additionally, give an open stage to everybody to talk about any issue within reach and empower legit input. Regardless of whether you utilise verbal or composed specialized technique has little effect yet you should have the option to settle on educated choices. Concealing things from a colleague or overlooking him may ruin your relationship with him.

7.2.6.2 Attend Morning Meetings

Leaders should make it a propensity to mastermind and individuals should make a point to go to morning gatherings. Notwithstanding, these gatherings ought not to be made too formal for example by permitting espresso cups just as casual associations between the individuals during the gathering.

7.2.6.3 Arrange Outside Meetings for Team Members

Meeting outside the workplace, with an end goal to change the mood, gives colleagues an extraordinary occasion to open up to one another and construct solid obligations of kinship after some time

7.3 SUMMARY

In this Unit, we have discussed the interpersonal relationship in organisation. To explain this topic first of all we have discussed the conceptual framework of interpersonal relationships and then the motives of developing interpersonal relations are discussed. The latter all the three types of interpersonal relationship like interdisciplinary relationship, intra-disciplinary relationship and nurse-client relationship are discussed. The stages and importance of interpersonal relationships are also discussed. In the last, how interpersonal relationship skills can be improved are discussed in this unit.

Interpersonal associations, on and off the job, have an important place in labor management. In this chapter we have tried to understand interpersonal relationships on the job. We also looked at personal and cultural differences affecting interpersonal relations.Most employees expect some stroking exchange, or ritual, before getting down to business. Being able to hold a

conversation, a key work and interpersonal skill, is based on the participants' ability to give and take.

Everyone brings a set of "inputs" into the job. Little trouble may occur as long as there is agreement about the value of these inputs. Individuals, who want to preserve the benefits of their inputs, whether personal or organisational, need to value the inputs held by others. Among the many activities supervisors are involved in, employee counseling is one of the most difficult. It is often too natural and easy to use an expert or directive mode, even when an active listening approach would be more effective. A good listener helps by letting people get problems off their chest, rather than by solving specific challenges for others.

Any significant decision making inside an organisation depends on its workers conceptualizing to locate the best thoughts and methodologies. Nonetheless, this requires a stage with the end goal that each individual has the freedom and an equivalent occasion to communicate his perspectives and conclusions. Such compelling correspondence is most ideal when representatives have a close relationship with one another that considers successful correspondence just as some fair criticism.

7.4 KEY WORDS

Enthusiasm is a strong feeling of excitement or interest in something and a desire to become involved in it.

Peer Relationships are characterized closed or intimate, bidirectional social relationships where the peers interact with one another and peer group is closely defined as a large set of peers.

Deterioration means the stage which is arrived at when interpersonal relationships fall apart.

Intimacy creates out of the desire to draw near for reasons unknown or the other.

7.5 SELF-ASSESSMENT QUESTIONS

Q.1.   Describe the conceptual framework of interpersonal relationships.

Q.2.   Explain the types of interpersonal relationships.

Q.3.   What are the stages of interpersonal relationships? And explain them.

Q.4.   Write short note on the followings:

   a) Positive motive
   b) Negative motive

Q.5. Discuss the importance of interpersonal relationships in organisation.

Q.6. Describe the motives of developing interpersonal relations.

Q.7. How does the skill of interpersonal relationships improve?

Q.8. Write a note on nurse-client relationship in detail.

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UNIT 8: ROLE OF OPPORTUNITY AND CONFLICT

UNIT FRAMEWORK

8.1   PURPOSE

The objectives of this unit are:

- To discuss the role of opportunity and conflict.
- To describe the way to turn conflict into opportunities.

8.2   THE ROLE OF OPPORTUNITY AND CONFLICT

8.2.1   OPPORTUNITY

Opportunity is a circumstance wherein it is workable for something to be finished. You talk about an opportunity for something or an opportunity to accomplish something. Opportunities are a combination of different circumstances at a given time that offer a positive outcome. The key word in this definition is 'circumstances' that means that, unlike with Strengths, however hard anyone tries they cannot 'create' opportunities they can only choose how to position themselves to gain maximum benefit from them, or whether or not to grasp for them.

Simply it can be said that opportunities are positiveand external. They benefit those who can take advantage of them, but they cannot be 'produced' as and when desired. Opportunities come in all different sizes, from hardly noticeable ones, to life-changing ones. Recognizing the various opportunities that company's face will help you to act on them and leverage them or further understand the situations that other businesses are facing.

Initiative is regularly characterized as a lot of practices by which one individual impacts others toward the accomplishment of objectives. Set all the more forth

plainly, authority is about energy and results. In exchange for advancing the leader's goals, the people being led should expect work opportunities that provide for:

- Growth and self-awareness
- Career satisfaction and enrichment
- Acquisition of new abilities
- Financial gain and other prizes
- Greater access to influential positions.

Individuals and organisations develop and create to the degree that they gain by occasions to do as such. Openings are imperative to pioneers since they're essential to the individuals they lead. Openings are where individuals can attempt, test, better, and even get themselves. The pioneer's responsibility is to coordinate the occasion to the individual and to support the individual and the association abuse that open the door for everything it has. Open entryway administration is tied in with seeing, distinguishing, and making open doors for those being driven.

8.2.2 THE WAYS TO TURN CONFLICT INTO AN OPPORTUNITY FOR GROWTH

Most organisations see strife as a fire: a negative power they should put out, keep away from, or control. By its very nature, this methodology is responsive and outwardly engaged. It gives little opportunity for development. Essentially determined by dread, such a shirking of contention adds to a common culture of doubt and animosity in the working environment.

A more cognisant worldview is to see struggle as an alarm. It alarms and reflects what's going on inside your association, and it makes an opportunity for fire avoidance by empowering development, getting, association, and exchange. These three systems give an approach to tune internally in the midst of contention on a relational, hierarchical, and singular level. Together, they can cultivate a culture of reflection and association making more profitable, submitted, roused, and innovative organisation networks. Most organisations consider struggle to be a fire: a negative force they should put out, avoid, or control. By its very nature, this procedure is responsive and outwardly locked in. It gives little occasion to advancement. Basically controlled by fear, such an evading of dispute adds to a typical culture of uncertainty and ill will in the workplace.

A more perceptive perspective is to consider battle to be a caution. It cautions and mirrors what's happening inside your affiliation, and it makes an open door for fire shirking by engaging turn of events, getting, affiliation, and trade. These three frameworks give a way to deal with tune inward amidst conflict on a social, progressive, and particular level. Together, they can develop a culture

of reflection and affiliation making more beneficial, submitted, stirred, and imaginative association organisations.

8.2.2.1   Negotiation

Negotiation is a private, intentional cycle through which a prepared nonpartisan individual makes space for at least two gatherings in a contention to have a bona fide, sweeping discussion. The purpose of intervention is understanding, not goal or settlement. As such, parties leave a fruitful intervention with a superior comprehension of what is essential to them and additionally to their contention accomplices. Negotiation gives an approach to individuals from your association to manage strife through an immediate, eye to eye cooperation. This debilitates tattle, aloof hostility, and outlandish suppositions, while empowering people to hear each other and to consider varying perspectives. The effect of intercession goes past the association between clashing gatherings. At the point when used as a compromise apparatus inside an association, it engages individuals to become inventive issue solvers who assume liability for their connections. Utilizing negotiation routinely in this way advances a culture of getting, coordinated effort, imagination, and self-improvement.

8.2.2.2   Curative Dialogue

While negotiation centers on strife among people, restorative exchange tends to foundational issues that sway a huge part of your group or even the whole organisation. The motivation behind remedial discourse is to reestablish (or cultivate) a feeling of equalization, reasonableness, transparency, and trust. Curativedialogue comprises of the accompanying three sections:

- Identify the fitting partners who must partake in the discussion, and decide their key positions, interests, values, emotions, needs, and recommendations. From this data, it is essential to conclude expansive zones of concern and arrangement and diagram the thoughts for pushing ahead.
- The circle cycle is a service committed to transparently examining the worry while partners sit all around and talk to each in turn. The stylized part of the circle cycle makes the experience of a sheltered, consecrated, and open space. When handily encouraged, the circle cycle energizes profound getting, sympathy, and association among the members.
- This is an imperative segment of remedial exchange. Development incorporates a rundown of concerns, zones of arrangement, and subsequent stages rise during the circle cycle. It additionally sets down solid activities and sets up clear outcomes if there is no fitting finish.

Organisations that receive curative dialogue as a component of their partner commitment program can rely on having a solid feeling of network where

people don't hesitate to bring their interests and are engaged to address them in a cooperative, open, and helpful way.

8.2.2.3 Fine-Tuning In Practice

Tuning practically speaking is an approach to acquaint care with the work environment by putting time aside consistently for people to be tranquil and tune in. While straightforward, economical, and simple to execute, tuning by and by can profoundly change worker associations empowering individuals to be more drawn in with one another, not so much receptive, but rather more engaged. While there are various care practices and methods, the one I use in corporate settings is called associated relaxing:

- To practice the associated breathing procedure, first notification your breath. Zero in on colder air entering the nostrils as you breathe in and hotter air leaving the nostrils as you breathe out.

- After a couple of seconds, deliberately make your breathing further captivate the chest, the stomach, and the pelvic floor as you relax.

- As you start to inhale all the more profoundly, let the breath move in one smooth, constant movement without any stops or breaks.

- Finally, present a straightforward four-word mantra: "I am here at this point." Each of the words relates to the development of your breath. Breathe in, "I." Exhale, "am." Inhale, "here." Exhale, "presently."

A standard tuning-in practice, for example, the associated breathing method additionally loosens up the sensory system empowering individuals to tune in, sympathize, and reflect. Only five minutes of this training enables individuals to unwind, gain clearness, and improve their correspondences both inside and outside of contention.

8.2.3 CONFLICT

Every large and small business also operates in an ethical environment. When the practices of a business as a whole or of individual employees involve behaviors that some of them may find unacceptable and then ethical conflicts can arise. Company leadership sets the tone and leads by example in terms of establishing the ethical culture of a business. As noted by the Harvard Business Review, the best strategy for managing ethical conflicts is to minimize missteps before they happen. Companies can take two critical steps to create a strong atmosphere to do the right thing.A well-designed statement of company ethics makes it clear to employees at all levels what the expectations of the firm are in terms of ethical behaviors. Some of these involve obvious statements, such as the company's commitment to obey the law. Others emphasize important values, such as how to deal with customers and treat fellow employees with respect, along with mechanisms for resolving disputes when they arise.As companies grow large, they may create a specific job title

or department for oversight of ethical issues and adherence to company norms. Even small and mid-sized businesses can assign someone to exercise the same role without a formal title. For example, if it's important to your firm to have your sales staff operate without using pressure tactics to make a sale, it may be sensible to survey customers to make sure they feel comfortable with the sales process.Similarly, it may be corporate policy to avoid dealing with suppliers who use child labor at their facilities. However, unless you have a means to audit supplier facilities, it may be difficult to keep to this ethical principle.Ethical conflicts can be categories into different part which are as following:

8.2.3.1   Prohibited Activities

Businesses shouldn't break the law, but a glance at any newspaper reveals that it happens fairly routinely. A company may decide, for example, to hire undocumented workers and pay them less than the minimum wage or offer bribes to government officials to secure a contract or speed up a permit process. Managers at the company may be expected to look the other way at these inappropriate behaviors.

8.2.3.2   Poisonous Workplace Culture

Who hasn't heard horror tales of an abusive boss or a stabbed in the back coworker? Workplaces that tolerate discrimination, harassment or an overly harsh working environment create ongoing conflict between an individual sense of propriety and the actual conditions faced every day at work.

8.2.3.3   Technology and Belongings

It's not bizarre for a worker to use an organisation telephone to settle on an individual decision or bring home a pen or two from organisation supplies. These unimportant employments of organisation property are viewed as adequate in many work environments. Nonetheless, feelings will in general contrast concerning where to take a stand. Taking a pen is a certain thing, however slipping away with an organisation PC is very another.

8.2.3.4   Public Prospect

Should your business stand firm on dubious issues of the day, for example, Black Lives Matter, a dangerous atmospheric deviation, or even paper versus plastic straws? Organisation pioneers and their workers may feel their everyday business targets take over these issues. Nonetheless, your customers, clients and individuals from the network may emphatically feel in any case. Circumstances like these can create clashes between business targets and cultural objectives.

8.2.4   MANAGING ETHICAL CONFLICTS IN THE WORKPLACE

Organisation initiative establishes the pace and shows others how it's done regarding setting up the moral culture of a business. As substantiated by the Harvard Business Review, the best system for overseeing moral clashes is to limit stumbles before they occur. Organisations can find a way to make a solid environment to make the best choice.An ethical conflict occurs when the interests of two employees are at odds. For example, two employees are up for one promotion and one takes credit for the work of the other. The decision-maker needs to find a way to figure out who deserves credit for the work and make the decision accordingly.

8.2.4.1 Characterize Explicit Qualities

A very much planned articulation of organisation morals makes it clear to representatives at all levels what the desires for the firm are as far as moral practices. A portion of these include evident proclamations, for example, the organisation's promise to comply with the law. Others accentuate significant qualities, for example, how to manage clients and approach individual workers with deference, alongside instruments for settling debates when they emerge.

8.2.4.2 Assessment and Compliance

As organisations develop enormously, they may make a particular occupation title or office for oversight of moral issues and adherence to organisation standards. Indeed, even little and medium sized organisations can dole out somebody to practice a similar part without a conventional title. For instance, if it's critical to your firm to have your business staff work without utilizing constrain strategies to make a deal, it might be reasonable to study clients to ensure they feel great with the business cycle and also it might be corporate arrangement to abstain from managing providers who use youngster work at their offices. Nonetheless, except if you have a way to review provider offices, it might be hard to keep to this moral guideline.

Similarly, it may be corporate policy to avoid dealing with suppliers who use child labor at their facilities. However, unless you have a means to audit supplier facilities, it may be difficult to keep to this ethical principle.

When we talk about conflict of interest it exists when an individual's private intrigue meddles in any capacity with the interests of the Company. A contention circumstance can emerge when a worker takes activities or has interests that may make it hard to play out their Company work equitably and viably. Irreconcilable circumstances additionally emerge when a worker or an individual from their family, gets ill-advised individual advantages (counting individual advances, administrations or installment for administrations that the individual is acting over the span of Company business) because of their situation in the Company or increases individual improvement through admittance to private data. Irreconcilable circumstances can emerge in numerous basic circumstances, regardless of one's earnest attempts to keep

away from them. Representatives are urged to look for explanations of, and examine inquiries regarding, likely irreconcilable situations with somebody in the Company's Legal Department. Any worker who gets mindful of a contention or potential clash ought to carry it to the consideration of a boss, supervisor or other suitable people inside the Company.

By tolerating the challenge to go internal and regarding struggle as the alarm instead of the fire, associations can embrace a more important and centered way to deal with strife. Rather than responding to strife with animosity, shirking, or dread, the above methodologies can enable cognizance associations to react to struggle with lucidity, receptiveness, and sympathy. Reacting to struggle in such a manner makes a hierarchical culture of development, association, and discourse. With a culture this way, there are less pressing issues.

8.3   SUMMARY

In this Unit, we have discussed the role of opportunities and conflicts. For explaining the role of opportunities and conflicts first of all we have discussed the opportunities and then the ways to turn conflicts into opportunities for growth are discussed. The latter we have discussed conflicts and also explained its different categories like prohibited activities, poisonous workplace culture, technology and belongings and public prospect. In the last the very interesting point i.e. how to manage the ethical conflicts in the workplace are discussed.

Ethical conflicts do not always deal with right versus wrong issues. Dealing with such conflicts requires balancing the interests of all parties involved, as I have previously blogged about. Imagine that the two employees have an equal claim to a promotion to supervisor based on past performance. Each has a right to it but only one can be chosen. In this case the supervisor/manager needs to follow a prescribed process to resolve the dilemma by incorporating an ethical dimension to the decision.

The best approach to resolve an ethical conflict in the workplace is to prevent it from happening in the first place. Ethical issues occur when stakeholder interests conflict. Ethical issues exist when a proposed action may be legal but doesn't conform to the ethical standards of the organisation. Ethical problems are presented differently according to circumstance and role. For this reason, ethics codes and rules tend to address quite different problems for neutrals than for parties and their advocates. While the specific concerns of these rules can vary quite widely, a common theme of ethics codes for parties and their negotiators is to demand negotiation in good faith, a concept which includes prohibiting dragging out the negotiations unnecessarily, sending representatives who have no authority to conclude an agreement, and other forms of conduct which tend to make an honest search for mutual agreement impossible. For neutrals, the concerns are different, and may include prohibitions on accepting business in another context from someone who is a party in a case before that neutral; requirements to keep matters discussed in

the negotiations confidential; and requirements to disclose friendships and other relationships which might cause concern to either party as to whether the neutral really is neutral.

8.4 KEY WORDS

Negotiation is a method by which people settle differences. It is a process by which compromise or agreement is reached while avoiding argument and dispute.

Prohibited Activities means any service or activities which are not legal that is deemed injurious to the public welfare and is legally prohibited.

Public Prospect is defined as an example of expectation is a belief that the public will be getting promoted.

Explicit is a full and clear expression or demonstration. Anything explicit is completely clear and includes details.

8.5 SELF-ASSESSMENT QUESTIONS

Q.1. What do you mean by opportunity and conflict?

Q.2. Describe the role of opportunities in brief.

Q.3. Describe the way to turn conflict into opportunities.

Q.4. Write short note on the followings:
   1) Negotiation
   2) Curative Dialogue

Q.5. Discuss the different categories of ethical conflict.

Q.6. Discuss the management of ethical conflict in the workplace.

Q.7. Write short note on the followings:
   1) Prohibited Activities
   2) Public Prospect

Q.8. Write a note on conflict in detail.

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M.Com-402

Business Ethics & Corporate Governance

Uttar Pradesh Rajarshi Tondon
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Block
3

Block 3 - External Context

PEPE-052 / ETH-093 /ETH-106

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BLOCK 3: EXTERNAL CONTEXT

In **Block 3** you would have learned about the ecology: the dimensions of pollution and resources, ethics of control, consumer's protection and market protection, advertising ethics, consumer privacy etc.

Unit-9 Discuss about the definition of ecology: the dimensions of pollution and resource, ethics of control, ethics of conserving, depletion resources, the ethics of control, environmental rights and absolute bans markets and partial controls, social ecology, ecofeminism, and the demands of caring, the ethics of conserving depletable resources; rights of future generations, justice to future generations, economic growth.

Unit-10 Discuss about consumers, definition and meaning, consumers in themarketplace, consumers vs. customer, consumer law,markets and consumer protection, importance of consumer privacy, the conceptual framework, consumer protection in India, risks to consumers, government failures, the due care theory, the duty to exercise due care, problems with "due care", problems with due care theory, the social costs view of duties.

Unit-11 deals with advertising ethics: introduction, definition, principles, importance, responsibility of self-regulating, measuring advertising effectiveness, advertising myths, future of advertising, consumer privacy: definition,importance, principles, location-based service, third-party sites and services.

UNIT-09: ECOLOGY

UNIT FRAMEWORK

9.0   PURPOSE

The objectives of this unit are:

- To discuss the definition and different perspectives of ecology.

- To elaborate the dimensions of pollution and resource depletion.

- To discuss the ethics of control and

- To explain the ethics of conserving depletable resources.

9.1   ECOLOGY: THE DIMENSIONS OF POLLUTION AND RESOURCE DEPLETION

The dimensions of pollution and resource depletion (goals) include:

1. Resource exhaustion results in the consumption of scarce or limited resources.
2. Pollution involves undesirable environmental contamination through the manufacture or use of basic products.
3. since "contamination of air, water, or land diminishes their beneficial

   qualities"

4. Pollution can be considered as "a form of depletion".

9.1.1   Air Pollution

Air is mainly a mixture of various gases such as O_2, CO_2, and nitrogen. These are present in a particular ratio. Whenever there is any imbalance in the ratio of these gases, air pollution is caused. The sources of air pollution can be grouped under (i) Natural: such as forest fires, ash from smoking volcanoes, dust storms and decay of organic matter. (ii)Man-made: due to population explosion, deforestation, urbanisation and industrialisation. Certain activities of human

beings release several pollutants in air, such as carbon monoxide (CO), sulfur dioxide (SO2), hydrocarbons (HC), oxides of nitrogen (NOx), lead, arsenic, asbestos, radioactive matter, and dust. The major threat comes from burning of fossil fuels, such as coal and petroleum products. Thermal power plants, automobiles and industries are major sources of air pollution as well. Due to progress in the atomic energy sector, there has been an increase in radioactivity in the atmosphere. Mining activity adds to air pollution in the form of particulate matter. Progress in agriculture due to use of fertilizers and pesticides has also contributed towards air pollution. Indiscriminate cutting of trees and clearing of forests has led to an increase in the amount of carbon dioxide in the atmosphere.

- **Global Warming:** Rising carbon dioxide & other "greenhouse gas" levels create a "greenhouse effect". The atmosphere becomes like a blanket keeping more heat in high wavelength light radiation comes in & warms things up lower wavelength heat radiation can't get out

- **Ozone depletion:** The ozone layer, high in the stratosphere, protects the planet from harmful UV radiation. Chlorofluorocarbons (CFCs) destroy ozone & their release into the air causes deterioration of the ozone layer. CFCs take 7-10 years from release to rise to the level of the ozone layer. Remain there destroying ozone for 75-130 years. Due to international agreements to phase out CFCs, their emissions have dropped by 87%. Effects & threats: skin cancer, destruction of plankton: small ocean plants on which the entire ocean food chain ultimately depends. Crop destruction: 75% of the world's major food crops are UV sensitive, unexplained decrease in frog & other amphibian populations: "canaries in the mine" hypothesis.

- **Airborne toxins:** associated with increased cancer rates. 1.24 billion Pounds of airborne toxins released annually in India alone. EPA estimate: just 20 of the more than 320 toxics released causes more than 3000 cases of cancer per year.

- **Acid rain:** Nitrogen oxide & sulfur oxide emissions, React with water in the atmosphere, to form nitric and sulfuric acid. Effects: Kills fish & vegetation in lakes, Deforestation: "many researchers feel that future emissions will devastate the world's forests."

- **Air quality:** Other "pollutants": assorted gasses and particulates. Contributing to photochemical smog S and N oxides also contribute here along with Hydrocarbons Particulate matter: memories of Ecorse & Trenton. Effects: Interferes with respiratory function. Contributes to respiratory disease

9.1.2 Water Pollution

Water pollution describes the presence of harmful or objectionable substances in water in magnitude sufficient to alter Pollution. It also connotes the presence of polluting substances in rivers, lakes, bays, seas, streams, underground water, or oceans in levels capable of resulting in a measurable degradation of the water quality or usefulness. Water pollution may arise from the use to which the water has been put. Although some kind of water pollution can occur through natural processes, it is mostly caused by human activities. Water pollution has many sources and characteristics. These sources can be categorised into point and nonpoint sources. Point sources of water pollution are direct discharges to a single point, or simply stationary location discharges. Examples include discharges from sewage treatment plants, power plants, factories, ships, injection wells, and some manufacturing or industrial sources. Nonpoint sources of water pollution are more diffused across a broad area and their contamination is traceable to a single discharge point. Examples of nonpoint sources include mining activities and agricultural and urban runoffs. Water pollution arising from nonpoint sources accounts for the majority of contaminants in streams, rivers, bays, underground water, and seas. A water pollutant is any biological, chemical, or physical substance if present in water at excessive concentrations has the capability of altering the chemical, physical, biological, and radiological integrity of water, thereby reducing its usefulness to living organisms, including man. Although there are many sources of pollutants in our waters, the primary sources of water-polluting substances come from sewage, agricultural runoffs, oil spills, industrial wastewaters, land drainage, and domestic wastes. The major categories of common water pollutants include heavy metals, pathogens, nutrients, acids, organic chemicals, and radioactivity. Many of these substances are toxic and are capable of interacting additively or synergistically or antagonistically to give varying responses in aquatic ecosystems and in humans. However, the influence of a pollutant in natural waters varies according to the polluting substance, the local environmental conditions, and the organism involved.

9.1.3 Land Pollution

Land pollution is a result of dumping garbage, waste, and other toxins making the land contaminated or polluted. The source of land pollution comes from the human element such as littering, and waste that is washed ashore from boats, oil rigs, and sewage outlets. Land pollution is a result of dumping garbage, waste, and other toxins making the land contaminated or polluted. The source of land pollution comes from the human element such as littering, and waste that is washed ashore from boats, oil rigs, and sewage outlets.

- **Toxic substances:** substances that can cause an increase in mortality rates or an increase in irreversible or incapacitating illness, or that have

other seriously adverse health effects. Examples are acidic chemicals, pesticides, herbicides, inorganic metals, flammable solvents, and radioactive waste (treated separately below). Trends: 10 times more chemicals were being used in the mid-80s than in 1970. Many of them are toxic. Uncertainty: health effects of many substances is hard to determine, carcinogens (cancer causing substances) for instance generally only result in cancers 15 to 30 years after exposure, making it hard to identify the cause of the cancer when it develops.

- **Solid Waste:** Residential Garbage, Facts & Figures (residential garbage = 369 million tons/yr). Only 25% of residential wastes are recovered through recycling due to {up from 10%}. Lack of financial backing for recycling operations is the small size of markets for recycled products toxic chemicals present in recyclable garbage. Effects: city garbage dumps are significant sources of groundwater pollution; only 25% even test for groundwater contamination; less than 16% have insulating liners, less than 5% separate out & collect polluting liquid wastes, less than 50% put restrictions on types of liquid wastes they'll accept. Industrial garbage dwarfs the residential, Facts & Figures: industrial = 7.6 billion tons per year, oil & gas production: 2-3 billion and mining operations: 1.4 billion, there are more than 250,000 industrial waste heaps about 80% of such waste is estimated to be deposited in ponds, lagoons, and unlined landfills.

9.1.4 Nuclear Wastes

The electricity generated from nuclear reactors results in a small amount of waste and has been managed responsibly since the dawn of civil nuclear power. There are several management strategies in practice, such as direct disposal or reuse in reactors to generate more low-carbon electricity. **Types:** - there are three types of waste.

1. High-level: emit gamma rays which can penetrate all but the thickest shielding. Cesium 137 & strontium 90: become harmless after 1000 years, plutonium: 250,000 to 1,000,000 years. Disposal: It must be isolated from the environment until it is no longer hazardous. At present, no safe and permanent long-term method of disposal is known.

2. Intermediate level: It contains the same chemicals as above at lower levels. Disposal: until recently by burial in shallow trenches. Seepage from such trenches has recently become a worry. May be necessary to exhume & predispose them at enormous expense.

3. Low-level: It contaminated clothing from nuclear plants, uranium mine tailings. Nuclear plants themselves after decommissioning remain dangerously

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radioactive for 1000s of years and sites must continue to be quarantined for centuries.

9.1.5 Effects & Risks

Health risks

1. fatal in small doses: inhalation of as little as a millionth of a gram of plutonium can cause death within a week

2. carcinogenic even in small doses reproductive effects in humans & animals

3. sterility

4. birth defect causing mutations

Security risks

1. The plutonium that makes the nuclear bombs.
2. There is a risk that power to power plants could fall into the wrong hands.

    a. criminals

    b. terrorists

9.1.6 Depletion of Species and Habitats

Habitat destruction (also called habitat loss and habitat reduction) is the process whereby a natural habitat becomes unable to support its native species. The organisms that previously inhabited the site are displaced or die, thereby reducing biodiversity and species abundance.

Impact on organisms:-

1. Habitat loss is perhaps the greatest threat to organisms and biodiversity.

2. Extinction may also take place very long after the destruction of habitat, a phenomenon known as extinction debt.

3. Habitat destruction vastly increases an area's vulnerability to natural disasters like flood and drought, crop failure, spread of disease, and water contamination.

4. The loss of trees from the tropical rainforests alone represents a substantial diminishing of the earth's ability to produce oxygen and use up CO_2.

5. The negative effects of habitat destruction usually impact rural populations more directly than urban populations.

6. Tropical rainforests have received most of the attention concerning the destruction of habitat.

7. Habitat destruction can also decrease the range of certain organism populations

8. The proximate causes were clustered into broad categories of agricultural expansion (96%), infrastructure expansion (72%), and wood extraction (67%).

Major business related causes of extinction of species:

a.   pollution and   b.   deforestation

Facts & Forecasts

a.   Deforestation: rainforests being destroyed at a rapid rate estimated at 2% per year.

b.   Estimated that between 20 to 30% of earth's species are at risk of extinction in the near future: between a half million & two million species.

9.1.7   Depletion of Fossil Fuels

Definition: Fossil fuel depletion is extraction of oil, coal, natural gas and coal reserves at a rate higher than nature replenishes them. These carbonaceous fuels supply the energy that keeps power plants, trains, household furnaces and automobiles running. They provide feedstock in the manufacturing of plastics, detergents and agricultural pesticides and fertilizers. They make up the key ingredient in asphalt that paves our roads and seals our roofs. They make possible life-saving pharmaceuticals.

- **Most important fossil fuels:** Petroleum: oil & natural gas and Coal

- **Trend until the 1980s:** These were being depleted at an exponentially increasing rate. It would have led to complete depletion in a relatively short time- 100 years coal and 40 years oil

- The "good" news: exponential rate could not continue, as resources get depleted. They become increasingly difficult & costly to extract. So rates of extraction & depletion peak and eventually go down.

- Peaked rate: point of complete depletion never reached. Small consolation: depletion continues until it's too expensive to extract anymore

- Adjusted forecast: Coal extraction will peak in 150 years then decline to nil over the next 150. Oil extraction, U.S. rates peaked around 1970, world rates will peak around 2010 according to some predictions though others say not until around 2040. U.S. natural gas extraction has already peaked & is expected to decline over the next 30-40 years.

- Catastrophic consequences threatening: widespread use of fossil fuels, in industry, power generation & automobiles. Possible substitutes &

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their drawbacks, nuclear: dangers associated therewith, hydroelectric, dams because environmental damage, water power is also a limited resource. Other alternatives: renewable fuels: mainly still in or barely off the drawing boards. Alcohol & renewable fuels, solar & geothermal, electro-chemical: e.g., battery powered cars.

- **For example:** The burning of fossil fuels, especially oil and coal, is the main contributor to global warming. China's heavy reliance on coal is one reason that the country has pulled ahead of the U.S. as the world's leading producer of carbon dioxide, a greenhouse gas. The burning of coal pumps 25 percent more carbon dioxide into the atmosphere per pound than oil. Some energy experts say that natural gas will be the key to making the transition to a more sustainable energy future. Natural gas emits fewer greenhouse gases, some 80 percent less CO_2, for example, than coal. And natural gas can be easily compressed and readily transported.

9.1.8 Depletion of Minerals

Definition: Mineral depletion is the ratio of the value of the stock of mineral resources to the remaining reserve lifetime. It covers tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate.

- By the year 2030 the U. S. had exhausted: 90% of domestic aluminum reserves, 80% of our iron 0- 70% of our lead, 90% of our manganese, 80% of our mercury, 90% of our tungsten and 70% of our zinc.

- Difficulties in predicting the future course & impact of world resources are depleting. Mining technologies may continue to develop enabling cheaper extraction from poorer grade ores. Recycling may reduce the need to mine; substitutes may be found for depleted minerals, World Reserves: the case of copper, rate of extraction expected to continue to rise rapidly over the next hundred years. Peak about 2100, then slowly decline, rich copper ores expected to be exhausted circa 2070, mining copper from poor sources will be drastically more expensive.

- Possible expedients & remedies: Recycling: can't supply increasing demands of future industry & population. Substitute manufacture materials, e.g., plastics, manufacture contributes to pollution, most commonly used plastics at present are petroleum based: increased use of these will contribute to petroleum depletion.

- Gloomy conclusion: all such resources are finite & hence ultimately subject to depletion, day of reckoning can only be delayed, not avoided.

9.2 THE ETHICS OF CONTROL

The Ethics of control categorizes various forms of exercise of animals, ranging from control that might be exercised over an animal in his or her own interests to exercise of control that results in that animal's annihilation. It discusses whether control should be exercised when human interests and animal interests conflict. The rightness or wrongness of human actions related to control over animals is best understood as a question of ethics, because existing legal and social structures are quite permissive of human use of animals, even when that use will harm animals or interfere with animals' self-interests. Animals have their own self-interests, separate from human interests, and human beings can discern at least some of those interests.

- The Innocent Past of Industry was small to the waters and skies immense with firms could view the environment as a unlimited good virtually unlimited: the minuscule discharges of olden-days industry, we're as nothing compared to the immense "carrying capacities" of the air and the waters, effects so slight could be treated as negligible.

- Many "negligible" effects can add up to some very non-negligible ones. Hundreds of small polluters can add up to one big pollution problem.

- Upshot: the "unlimited" carrying capacity is exceeded and the "free" goods start to deteriorate

- Other contributors: besides industrial production of consumer use of certain industrial products. Especially automobiles, residential & other human waste are the examples.

- Aggravating factors: world population explosion, explosive worldwide, urbanisation and industrialisation.

9.2.1 Ecological Ethics

Ecological ethics are moral principles governing the human attitude towards the environment, and rules of conduct for environmental care and preservation. It holds that we have a duty to recognise and protect ecosystems.

Ecosystem: a system of interrelated and mutually dependent sets of organisms and environments. Example: In a lake fish eat small aquatic organisms & plants, plants & organisms fed & fertilized by decaying plants and fish waste products. Prime example: "spaceship earth" the planet's ecosystem is our life-support system. Gaia hypothesis is the global ecosystem is bigger than any of us, bigger than all of us put together, the ecosystem life on this planet has an intrinsic value over and above the values of its human inhabitants a value all its own, independently of us.

We have a direct duty to protect the ecosystem not just indirect: e.g. in order to insure our own survival we need to protect the environment. In order to insure the survival of future generations we need to preserve the ecosystem. Direct: "nonhuman parts of the environment" and the nonhuman whole of it "deserve to be preserved for their own sake". Biodiversity is a good thing in and of itself. Humans have no right to reduce the richness and diversity of the ecosystem except to satisfy vital needs.

Fact: the current population/industrialisation/urbanisation explosion is reducing biodiversity. Program flowing is from recognition of that direct duty & that fact. Decrease of human population: the flourishing of nonhuman life requires such a decrease.

Ideological change is the appreciating the quality of life rather than frenzied pursuit of higher material standards of living. An economic change is the produce & consume less, not more altogether and per capita. Rights argument of every animal life has intrinsic value so animals have rights to be treated with respect to have their interests considered in decisions affecting them, interests in surviving, flourishing, & not suffering.

More extreme arguments extend rights and an interest in living & flourishing beyond animals to plants. Natural things such as wild rivers, mountains, etc. have rights to have their "integrity, stability, and beauty preserved" rights extend beyond individual living things to whole systems. Locally: biotic communities (e.g., the lake), globally: the earth: Gaia

9.2.2 Environmental Rights and Absolute Bans

Environmental Rights and Absolute Bans the possession of a livable environment is not merely a desirable state of affairs, but something to which each human being a right has. A livable environment is not merely something that we would all like to have. It is something that others have a duty to allow us to have. They have this duty, Blackstone argued, because we each have a right to a livable environment, and our right imposes on others the correlative duty of not interfering in our exercise of that right. This is a right, moreover, that should be incorporated into our legal system.

- William T. Blackstone's proposed *human right to a livable environment* as essential to permitting each to live a human life is rational, free & self-determining and imposes a duty on others not to interfere with this right. This right overrides property rights and should be recognised under law.

- Actual enactments embodying something like Blackstone's Principle

    a) National Environmental Policy Act of 1969: asserts a right of all Americans to "surroundings" that are "safe, healthful, productive, and aesthetically and culturally pleasing"

b) Water Pollution Control Act of 1972: asserts a duty to firms to "use the best practicable technology" to get rid of pollution implies a correlative right to a pollution free environment.

- Drawback of this approach: its inflexibility characteristic of all absolute rule or absolute rights based approaches (compare Kant). Absolute rights give rise to absolute duties not to pollute, regardless of cost. Unable to give "nuanced guidance" involving "tradeoffs" with other human rights, property rights, positive rights to economic welfare (which loss of jobs may violate) with utility: pollution control in some cases might have high costs in terms of decreased productivity and increased prices.

9.2.3 Markets and Partial Controls

Markets and partial controls viewed environmental problems as "market defects "when a firm pollutes the market price of its commodities no longer reflects their true price and fails to incorporate hidden environmental costs, e.g., depletion of air & water resources. Undesirable consequences of this market defects misallocation of resources as waste and inefficient distribution in sum: "society as a whole is harmed and its overall economic welfare declines". Utilitarian Conclusion: pollution should be avoided. It's a kind of inefficiency in the working of markets.

Private Costs and Social Costs

Sometimes part of the cost of producing a product does not fall on the producer to suppose I'm burning coal to make steel. Private costs: I'm paying for the coal, the pig iron & other ingredients and the labor. External costs (I'm not paying) depletion of public resources: water & air I pollute, my neighbors bear the health costs of breathing my factory's fumes and the cleanup costs to the particulates in my emissions settling on their windowsills, etc.

Total social cost of production (what production costs society as a whole) =s = private costs: borne by the producer + external costs: not borne by the producer.

Whenever a firm pollutes its private costs are always less than the total social cost. Fundamental problem with pollution, as utilitarian view it, is this *divergence* between private and true total social cost. Since external costs are not reflected in the price of the goods this results in the commodities being underpriced and overproduced. It's bad for society as a whole consumes more of that product than it would if it knew the full price but it's paying the full price the outstanding costs ultimately get paid in the form of environmental degradation and depletion of resources also society "gets taken".

"Free" use of air and water resources is a disincentive to efficient use since the producer doesn't bear the external costs the producer has no incentive to minimise them result: unjust pricing and distribution of costs external costs not

equally distributed to all of society. Those who disproportionately bear the external costs are "paying more" for the same product. Those who live near the power plant not only pay for the electricity on their bill like everyone else. They also pay for cleanup, emission related healthcare, etc.

9.2.4 Social Ecology, Ecofeminism, and the Demands of Caring

Social ecology is defined as the study of the relation between the developing human being and the settings and contexts in which the person is actively involved. Shortcomings of utilitarian and rights based approaches rights based: inflexible absolute rules allowing no tradeoffs utilitarian on

    a). Technical difficulties

    b). Moral objections

    c). Neglect of justice

    d). violations of rights to informed consent

Ecofeminism: "Ecofeminism is a movement that sees a connection between the exploitation and degradation of the natural world and the subordination and oppression of women. They have an ideological essence and view nature as another to be cared for, not an object to be dominated. Practical upshot opposes hierarchical structures as part of the problem. Democratize& decentralise dominators objectify the dominated and use them as means to their ends this fosters a similar attitude toward nature, back to nature, practice conservation, deindustrialised, control population and criticisms: utopian & impractical.

Demands of Caring: Ethics of care, also called care ethics, feminist philosophical perspective that uses a relational and context-bound approach toward morality and decision making. The term ethics of care refers to ideas concerning both the nature of morality and normative ethical theory.

9.3 THE ETHICS OF CONSERVING DEPLETABLE RESOURCES

Conservation refers to the saving or rationing of natural resources for later use. Pollution control can be seen as a form of conservation, since pollution consumes air and water. Conservation refers to the saving of finite, depletable resources. The only source of such resources is what has been left over from previous generations. As we deplete the world's resources, there is unavoidably a smaller amount of them left for future generations. If future generations have an equal right to the world's resources, then by depleting them we are stealing what is actually theirs. A number of writers have claimed that it is a mistake to think that future generations have rights. They advance three main reasons to show this:

- First, future generations cannot intelligently be said to have rights because they do not now exist and may never exist. I may be able to

think about future people, but I cannot hit them, punish them, injure them, or treat them wrongly. Future people exist only in the imagination, and imaginary entities cannot be acted on in any way whatsoever except in the imagination. Similarly, we cannot say that future people possess things snow when they do not yet exist to possess or have them. Because there is a possibility that future generations may never exist, they cannot "possess" rights.

- Second, if future generations did have rights, we might be led to the absurd conclusion that we must sacrifice our entire civilization for their sake. Suppose that each of the infinite number of future generations had an equal right to the world's supply of oil.

- Third, we can say that someone has a certain right only if we know that he or she has a certain interest that that right protects. The purpose of a right, after all, is to protect the interests of the right holder.

Conservation refers to the saving or rationing of resources for future use. A basic difference between pollution and resource depletion are as follows.

Pollution

For the most part pollution affects present generations (with the notable exception of nuclear waste). Polluted resources are for the most part renewable. Air and water can be renewed by ceasing to pollute them and allowing them time to recover.

Depletion

For the most part affects future generations concerned with finite nonrenewable resources since they cannot be renewed. What will be around for future generations is just what's left over from the present.

9.3.1 Rights of Future Generations

Would-be argument for conservation future generations have an equal right to the planet's limited resources by depleting these resources we are depriving them of what is rightfully theirs so we ought to do our utmost to practice conservation to minimise depletion and to avoid violating the rights of future generations

Objection 1: future generations do not have rights. Only existing individuals have rights.

Objection 2: according equal rights to future generations would result in the absurd consequence that the present generation has almost no rights to use depletable resources. Main argument: Granting future generation's rights would mean that we have no right to use up any of the world's depletable resources. So, we would have to sacrifice our civilization. But that's absurd (or unacceptable) therefore; we should not acknowledge any rights of future

generations. Argument for premise 1, suppose each future generation, stretching (virtually) infinitely into the future, has an equal right to the world's resources so whatever the amount of a resource there is we are entitled to (virtually). None of it any amount you choose divided by (virtually) infinity = (virtually) zero.

Objection 3: We can't say what rights future generations will have since we don't know what they will be. The purpose of rights is to protect interests. We can't predict what future generations will be interested in. The human beings of the future may be a lot different than we are with biotechnology & genetic engineering coming into play with advances in transplantation and other areas of medicine etc.

The technology of the future may differ vastly from what there is today. New energy sources & substitute materials may be discovered so they'll have no need & no interest in crude oil, coal, etc. who would have guessed 100 years ago that our generation would have an interest in uranium ore? Perhaps nuclear fusion will replace current sources of energy; nobody can say what the rights of future generations are.

9.3.2 Justice to Future Generations

Unjust extremes: to impose disproportionately heavy conservation burdens on the present generation (unfair to us). To leave virtually nothing for future generations (unfair to them) and need to determine the middle point: that's where justice lies imagine you didn't know which generation you belong to: this or some future one the distribution of resources you would accept as fair & reasonable from behind that "veil of ignorance" is the just distribution. The middle point = the point at which we hand over to the next generation a situation no worse than the one we received.

Seconded by considerations of care we have a fairly direct relationship of care and concern towards the immediately following generation & less & less towards more and more distant future generations seems to imply that we should attempt to see matters from the perspective of the immediately succeeding generations which suggests we should "at least leave the succeeding generation a world that is not worse than the one we received".

1. Multiple accesses: if a resource can be used by several different extractors, then the shared access will inevitably lead the resource to be depleted too fast for example: several people with straws in the same milkshake. It will be in the private interest of each to suck faster to get the most for them.

2. Time preferences and myopia: firms generally have short time horizons under the stresses of competition apt to give insufficient weight to the demands of future generations.

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3. Inadequate forecasting: present users may simply fail to foresee future consequences example: DDT spraying in the 50s, no one foresaw that it would build up in the environment with harmful effects.

4. External effects: resource depletion like pollution and external cost not borne directly by the firm. So it's in the economic self-interest of the firm to ignore this cost.

5. Distribution: private market decisions are based on existing patterns of wealth and income distribution resource users. So the richer the individual the more say they have in what the market produces. Future generations having as yet no wealth or income have as yet no "vote" consequence of the inadequacy of market mechanisms for encouraging conservation; voluntary or politically enforced policies of conservation need to be undertaken.

9.3.3 Economic Growth

The **anti-growth argument:** continued economic growth threatens to degrade the quality of life of future generations to preserve enough scarce resources for future generations to maintain their quality of life we must scale down our pursuit of economic growth this requires radical changes in our present economies and population control policies of zero population growth (ZPG): maintenance of population at a steady state certainly no greater than at present or better, at some level below the present. First decrease population then maintain at some sustainable lower level. Maintenance of resource use at a steady state certainly no greater than at present or better, at some level below the present. First decrease use then maintain that sustainable lower rate.

9.4   SUMMARY

Environmental issues have been largely ignored in conventional economic analysis and decision-making, whose main objective has generally focused on profit maximisation. It explained that the environmental system is a key development factor and that it has a finite capacity to provide for human needs; in economic terms, it is a scarce resource. Though scarcity of environmental resources and services may be very high in certain regions of the world, the economic value generally placed on them is often underestimated and close to zero. In many cases this has led to an unsustainable path of economic growth.

It is also stressed that evidence does not provide a clear response to the question of whether economic growth and environment protection and conservation are conflicting or complementary goals. Rather it shows that trade-offs and complementarities depend on various other factors such as: the scale and the structure of the economic and the social systems, technology, efficiency with which natural resources are used.

9.5 SELF-ASSESSMENT QUESTIONS

1. What is meant by ecological ethics?

2. What are the basic principles of environmental ethics?

3. Discuss the impact of global warming in the atmosphere.

4. What is pollution and resource depletion?

5. What are the remedial measures of pollution?

6. What are the causes of resource depletion?

7. Discuss the ethics of control.

8. What are the ethics of conserving depletable resources?

9. What is economic growth?

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UNIT-10: CONSUMERS

UNIT FRAMEWORK

10.1 PURPOSE

The objectives of this unit are:

- To discuss the definition and meaning of consumer,

- To elaborate the consumers vs. customer, consumer law, markets and consumer protection, and consumer protection policy.

- To discuss the market approach to consumer protection, problems with the market approach.

- To explain the importance of consumer privacy, consumer protection in India, risks to consumers.

10.2 DEFINITION AND MEANING

Consumers are people or organisations that purchase products or services. The term also refers to hiring goods and services. They are humans or other economic entities that use a good or service. Furthermore, they do not sell on that item that they bought.

They are the end users in the distribution chain of goods and services. In fact, sometimes the consumer might not be the buyer.

For example, young children are the end users of toys, but their parents buy them. Therefore, in the market for toys, the buyer and consumer are often different people.

Marketing professionals spend their lives studying people who consume. What drives them to buy something? Why did they choose their company's or a rival's product? We call the study of the process of buying and then discarding goods consumer behavior.

Consumer goods are goods that we buy for our own consumption. We do not buy them to make other goods that we sell.

10.3 CONSUMERS IN THE MARKETPLACE

In the marketplace, consumers are people or economic entities that purchase or hire products. They do this for personal use. In other words, they do not buy them for manufacture or resale. When the non-business media talk about consumers, they usually refer to people. Specifically, people engaged in evaluating, acquiring, and using products to satisfy their needs and wants. Consumers are key figures in the marketplace. In fact, all the activities of the makers and sellers of goods are focused on consumers.

10.4 CONSUMER VS. CUSTOMER

'Consumers' and 'Customers' are used interchangeably. However, they do not always have the same meaning. A customer is not always the consumer. Customers purchase things, but consumers use them. For example, the customers of a company that sells pet food are mostly adults. However, the consumers are dogs or cats. The difference between consumers and customers impacts how businesses market their products. Customers buy toys, for example, if consumers are children. Therefore, Toy Companies should target children in their marketing efforts. Children will subsequently react to the marketing efforts by influencing what adults buy.

10.5 CONSUMER PROTECTION POLICY

What is consumer law: Consumer law involves all the regulations and statutes that aim to create a more equitable balance for consumers. It also aims to prevent vendors from using dishonest tactics. In the United States, both state and federal regulations play a role in regulating consumer law. These laws include forbidding false advertising and imposing product safety measures.

The consumer movement in India is as old as trade and commerce. In Kautilya'sArthashastra, there are references to the concept of consumer protection against exploitation by the trade and retailer with respect to quality, short weight, measurement and adulteration of goods. Yet until the late 1970s, there was no systematic movement in the country for safeguarding the interest of consumers. But now it is widely acknowledged that the level of consumer awareness and protection is a true indicator of development of the country and progressiveness of civil society. The main reason for this is the rapidly increasing variety of goods and services which modern technology has made

available. In addition, the growing size and complexity of production and distribution systems, the high level of sophistication in marketing and selling practices and in advertising and other forms of promotion, mass marketing methods and consumers' increased mobility resulting in reduction of personal interaction between buyers and sellers, have contributed to the increased need for consumer protection.

Protection of consumer rights in modern times dates back to 1962. On 15 March 1962, the Consumer Bill of Rights was proclaimed by the United States President in a message to the Congress. The message proclaimed:

(i) the right to choice,

(ii) the right to information,

(iii) the right to safety, and

(iv) the right to be heard

These guidelines constituted a comprehensive policy framework outlining what governments need to do to promote consumer protection in the following areas:

(i) Physical safety,

(ii) Protection and promotion of consumer economic interests,

(iii) Standards for safety and quality of consumer goods and services,

(iv) measures enabling consumers to obtain redressal,

(v) measures relating to specific areas (food, water, and pharmaceuticals); and

(vi) Consumer education and information programme.

These guidelines provided an internationally recognised set of basic objectives, particularly for governments of developing countries, enabling them to identify the priorities and structure of their consumer protection policy and legislation. Subsequently, the guidelines were expanded to include 'sustainable consumption' which was an important subject in the changed social, political and economic scenario. The importance of 'sustainable consumption' is aptly highlighted in Mahatma Gandhi's words, 'the rich must live more simply so that the poor may simply live'. Sustainable development is crucially dependent on sustainable consumption. Article 21, of the Constitution requires the State, inter alia, to protect life, which must be construed as including the right to a healthy and safe environment. A healthy and safe environment is inalienably linked with sustainability and promotion of sustainable consumption

The consumer protection policy creates an environment whereby the clients, customers, and consumers receive satisfaction from the delivery of goods and services needed by them. Good governance requires efficiency, effectiveness,

ethics, equality, economy, transparency, accountability, empowerment, rationality, impartiality and participation of citizens.

10.5.1 Markets and Consumer protection

Consumer protection is the practice of safeguarding buyers of goods and services, and the public, against unfair practices in the marketplace. Such laws are intended to prevent businesses from engaging in fraud or specified unfair practices in order to gain an advantage over competitors or to mislead consumers.

10.5.2 Ethical Issues Related To Consumer Protection

Ethics relate to what is morally right and wrong and businesses have to make ethical decisions. How they treat their customers is part of the wider field of 'business ethics'. Other ethical issues include how businesses deal with their suppliers and their workers. (Do they pay a fair price? What are the working conditions like in their overseas factories?)Many of the practices that consumer protection laws seek to ban are unethical. Giving false information about a product (e.g. claiming eggs to be free range when they are not or stating that a garment is 100% silk when it isn't), putting pressure on a consumer to purchase something or supplying poor-quality goods that break easily are all examples of unethical behaviour on the part of businesses. Business ethics is a complicated field and, because ethics relate to opinions, there is sometimes disagreement over whether a particular practice is unethical or not. Marketing in particular can cause disputes in this area. For example, some stores display sweets at the checkout. This is regarded as unethical by some because it encourages 'pester power' (children repeatedly asking parents to buy the sweets for them). As sweets are unhealthy food, this practice can be seen as unethical. However, others argue that people have a choice whether they purchase them or not and it is up to parents to educate their children about healthy foods. Some businesses have tried to reinvent themselves because their marketing has been labelled unethical. McDonalds 'supersize' was once a marketing winner, but with increased worries about people's weight problems, the campaign was dropped. McDonalds now focusses a large part of their advertising and product development on healthier meals.

10.5.3 Market Approach to Consumer Protection

- Safety is a commodity that should not be mandated by the government.

- Safety should instead be provided through the market.

- In a market, sellers will provide safety if consumers demand it.

- In a market, the price of safety and the amount sellers provide will be determined by the costs of providing it and the value consumers place on it.

- Government intervention in consumer markets makes them unfair, inefficient, and coercive.

10.5.4 Problems with the Market Approach

- Assumes markets are perfectly competitive, but they are not because:

- Buyers do not have adequate information when products are complex and information is costly and hard to find.

- Buyers are often not rational about product risk or probabilities and are often inconsistent.

- Many consumer markets are monopolies or oligopolies.

10.6 CONSUMER PROTECTION IN INDIA

The Consumer Protection Act was enacted in 1986 based on United Nations guidelines with the objective of providing better protection of consumers' interests. The Act provides for effective safeguards to consumers against various types of exploitations and unfair dealings, relying on mainly compensatory rather than a punitive or preventive approach. The Act applies to all goods and services unless specifically exempted, and covers the private, public, and cooperative sectors and provides for speedy and inexpensive adjudication. The rights provided under the Act are:

- The right to be protected against marketing of goods and services which are hazardous to life and property.

- The right to be informed about the quality, quantity, potency, purity, standard and price of goods and services, as the case may be, to protect the consumer against unfair trade practices.

- The right to be assured of access to a variety of goods and services at competitive prices.

- The right to be heard and assured that consumer interest will receive due consideration at appropriate form.

- The right to seek redressal against unfair or restrictive trade practices or unscrupulous exploitation of consumers.

- The right to consumer education.

10.6.1 Importance of Consumer Privacy

- Protects individuals from disclosures that can shame, interfere in one's private life, hurt loved ones, and lead to self-incrimination.

- Enables the intimacy that develops personal relationships, the trust and confidentiality that underlies client-professional relationships, the ability to maintain distinct social roles, and the ability to determine how others will see us.

10.6.2 Risks to Consumers

- Dangerous and risky products

- Deceptive selling practices

- Poorly constructed products

- Failure to honor warranties

- Deceptive and unpleasant advertising

10.7 SUMMARY

Markets, self-regulation, and government each have potential strengths for protecting privacy and achieving other social goals. One task here has been to identify the ways that each might do so. The Consumer Protection Act was enacted in 1986 based on United Nations guidelines with the objective of providing better protection of consumers' interests. The Act provides for effective safeguards to consumers against various types of exploitations and unfair dealings, relying on mainly compensatory rather than a punitive or preventive approach. The discussion of self-regulation shows how that approach may protect privacy by drawing on industry expertise, community norms, and the ability of industry to provide collective goods such as technical standards and an enhanced industry reputation.

In the past, it was sufficient if the business organisation complied with the letter of the law regarding business contracts, that is, the emphasis lay on compliance with the law, whether or not the buyer understood its contents. The emphasis now is on communication, that is, the consumer must understand the meaning and impact of the contract. Further, the freedom to choose the content of a business contract is now a thing of the past, with legislative protection compensating for the weaker negotiating position of the consumer. Business certainly has a role to play in ensuring that social and economic transformation takes place in a society such as South Africa. Business needs to understand the provisions of the Act and how they apply to them. They need to scrutinise their current practices, policies and documentation to ensure that they comply with the Act. A failure to comply can prove costly. Yet, ethical and socially responsible business practices can contribute to profitability and growth, as

well as to businesses gaining an ethical reputation and enhancing customer satisfaction and loyalty.

10.8 SELF-ASSESSMENT QUESTIONS

1. What are the ways and means of consumer protection?

2. What is consumer protection and why is it important?

3. What are the responsibilities of consumers?

4. What is market protection?

5. How due care theory is protected in consumer protection policy ?

6. Which types of problems arise in the due care theory?

7. Discuss the specific ethical challenges of consumer production and marketing.

8. Discuss the Criticisms of the Social Costs View.

9. What major problem arrives in due care theory?

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UNIT-11: ADVERTISING ETHICS

UNIT FRAMEWORK

11.1 PURPOSE

The objectives of this unit are:

- To discuss the advertising ethics, definition and principles,

- To elaborate the importance, responsibility of self-regulating.

- To discuss measuring advertising effectiveness, advertising myths, and future of advertising.

- To explain consumer privacy, location-based services and third-party sites and services.

11.2 INTRODUCTION

Advertising Ethics is a new way of reaching consumers, and it is essential for advertisers to maintain high levels of honesty and ethics. Thus, advertising ethics means a set of specific principles that regulate the methods of communication between the buyer and the seller. Advertising ethics cover ethical concerns about the advertising message, the consumers targeted by the advert, advertising of controversial products and services and the effects of advertising on social values.

Ethics is an essential aspect of the advertising industry. Even though there are numerous benefits of advertising, there are some advertising points that do not match the ethical standards of advertising. Therefore, ethical ads are the ones

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which do not lie, are within the limits of decency, and do not make false or fake claims. Today, many ads are over exaggerated, and many advertisers usually puff their adverts. This makes the advertisers seem like they lack the understanding of ethical principles and norms. Most of the advertisers do not understand or are unable to determine what is correct or wrong.

Their primary interest is to increase their sales, attract more customers and increase their product's demand through well-decorated, colorful and puffed adverts. Many advertisers like to present their product as the best and unique on the market or cheaper and more beneficial than the competitor's product. However, many of these ads have been proven false and deceptive to customers, thus making them unethical.

11.3 DEFINITION AND PRINCIPLES

11.3.1 Definition: Advertising ethics means a set of specific principles that regulate the methods of communication between the buyer and the seller. Advertising ethics covers ethical concerns about the advertising message, the consumers targeted by the advert, advertising of controversial products and services and the effects of advertising on social values.

Ethics is an essential aspect of the advertising industry. Even though there are numerous benefits of advertising, there are some advertising points that do not match the ethical standards of advertising. Therefore, ethical ads are the ones which do not lie, are within the limits of decency, and do not make false or fake claims. Their primary interest is to increase their sales, attract more customers and increase their product's demand through well-decorated, colorful and puffed adverts. Many advertisers like to present their product as the best and unique on the market or cheaper and more beneficial than the competitor's product. However, many of these ads have been proven false and deceptive to customers, thus making them unethical.

11.3.2 The Principles of Advertising Ethics

The following are the principles that govern advertising ethics, according to the Institute for Advertising Ethics (IAE):

- The advertising industry should maintain high ethical standards and share the objective of truth when serving the public.

- High personal ethics should be used when creating and disseminating information to people.

- The advertising industry should clearly differentiate editorial and news content from paid ads to avoid confusing the public.

- All ads should clearly reveal if the researcher has received any payment from the brand.

- Advertisers should use discretion and care depending on the types of advertisements offered and the target audience.

- Advertisers should safeguard customers' discretion in marketing communications, and be straightforward to customers about gathering information.

- Advertisers should comply with the advertising industry guidelines as well as follow the local, federal and state laws governing advertisement.

- Advertisers should hold private discussions about ethical concerns, and all participating members should freely express their ideas.

11.4 IMPORTANT OF ETHICS IN ADVERTISING

Ethics in advertising is important, because by acting ethically with their advertising, a company is being responsible towards the needs of the customer. Ethical advertising evens the playing field for the consumer by giving them the information they need to make an informed decision on what products to buy and how these products will enhance their lives whether they need the product or they just want that product.

Companies need to show they have morals when advertising to consumers, because that makes consumers' feel like the company cares about what they need. This shows that the customer is protected by a company that is behaving in a way that makes a difference to the community they work in. Companies need to work with the community in a way that is sustainable and keeps all the stakeholders happy. One way to ensure sustainability is hiring local employees when possible rather than outsourcing production to other people in other countries.

Millennial have a need to feel part of a larger community, and feel like they are making a difference. By acting ethically, companies can foster this desire to connect with the company and in turn make a difference. Company is needed to act sustainably. By getting involved in community activities, the company is doing their duty (deontological ethics), and they are hopefully doing this because it is the right thing to do. But, they are also catching the attention of others who support their cause, and this will bring in brand loyalists who will believe strongly in what the company stands for. Example: A company with ethics in their advertising is Ashoks; they promise to provide a pair of shoes for someone less fortunate every time someone buys a pair of shoes from them. This is exciting for people, especially millennials, because they feel like they are making a difference in the eyes of others. Toms made this commitment to help the global community and as a result, have created a sense of global community around their brand. They're dedicated to this cause because they feel it is their duty to do something for the community. Rather than giving the less fortunate money, they give them something they can use that will be of

longer-term benefit to the people they are trying to help. They could just donate profit to the people, but that would only help them short term, like the old saying about giving a man a fish versus teaching a man to fish.

Companies must provide their customers with fair knowledge of what they are trying to achieve with their company mission and vision. By sharing this vision, they are helping people to understand the thought process behind their decision making and how the company feels their products or services will be of benefit to people without using false advertising to entice people into buying the product. Honesty is important for customers in order to create trust between a brand and a consumer, so maintaining ethics in advertising efforts will help to make the relationship stronger. By being open with their intentions, they are showing others they have nothing to hide and that they genuinely care for those who are buying the products they provide. This open display of genuine ethics can make or break a company in modern times helping to show consumers how they want to make the world better by not only providing great products, but by also being a great member of society.

Ethics in Advertising is directly related to the purpose of advertising and the nature of advertising. Sometimes exaggerating the ad becomes necessary to prove the benefit of the product. Example: a sanitary napkin ad which shows that when the napkin was dropped in a river by some girls, the napkin soaked the whole water of the river. Thus, the purpose of advertising was only to inform women about the product quality. Obviously, every woman knows that this cannot practically happen but the ad was accepted. This doesn't show that the ad was unethical.

Ethics also depends on what we believe. If the advertisers make the ads in the belief that the customers will understand, persuade them to think, and then act on their ads, then this will lead to positive results and the ad may not be called unethical. But at the same time, if advertisers believe that they can fool their customers by showing any impractical things like just clicking fingers will make your home or office fully furnished or just buying a lottery ticket will make you a millionaire, then this is not going to work out for them and will be called as unethical.

Recently, the USA issued an article which says ads should follow three moral principles: Truthfulness, Social Responsibility and Upholding Human Dignity. Big companies never lie as they have to prove their points to various ad regulating bodies. Truth is always said but not completely. Sometimes it is better not to reveal the whole truth in the ad but at times truth has to be shown for betterment. The following points are:-

- **Pharmaceutical Advertising** - they help create awareness, but one catchy point here is that the advertisers show what the medicine can

cure but never talk about the side effects of that same thing or the risks involved in intake of it.

- **Children** - children are the major sellers of the ads and the product. They have the power to convince the buyers. But when advertisers are using children in their ad, they should remember not to show them alone doing their work on their own like brushing teeth, playing with toys, or infants holding their own milk bottles as everyone knows that no one will leave their kids unattended while doing all these activities. So showing parents also involved in all activities or things being advertised will be more logical.

- **Alcohol** - till today, there hasn't been any liquor ad which shows anyone drinking the original liquor. They use mineral water and sodas in their advertisements with their brand name. These types of ads are called surrogate ads. These types of ads are totally unethical when liquor ads are totally banned. Even if there are no advertisements for alcohol, people will continue drinking.

- **Cigarettes and Tobacco** - these products should be never advertised as consumption of these things is directly and badly responsible for cancer and other severe health issues. These ads are already banned in countries like India, Norway, Thailand, Finland and Singapore.

- **Ads for social causes** - these types of ads are ethical and are accepted by the people. But ads like condoms and contraceptive pills should be limited, as these are sometimes unethical, and are more likely to lose morality and decency at places where there is no educational knowledge about all these products.

11.5 RESPONSIBILITY OF SELF REGULATING

In India, there are mechanisms for regulating advertisement which are both in the nature of self-regulation and regulation by statutory rules and regulations. However, to a large extent advertisement regulation in print and electronic media is in the realm of self-regulation.

There are several self-regulating bodies in print and electronic media which are concerned with regulating the content in media. These bodies include News Broadcasters Association (NBA), Indian Broadcasting Foundation (IBF), and Editors Guild of India which are primarily concerned with the content of print and electronic media. On the other hand, Advertising Standards Council of India (ASCI) is the main self-regulating body regulating advertising in media.

The ASCI is a self-regulatory organisation for the advertising industry. ASCI seeks to ensure that advertisements conform to its Code for Self-Regulation, which requires advertisements to be legal, decent, honest and truthful and not hazardous or harmful while observing fairness in competition. The ASCI and

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its Consumer Complaints Council (CCC) deals with complaints received from consumers and Industry, against advertisements which are considered as False, Misleading, Indecent, Illegal, leading to Unsafe practices, or Unfair to competition, and consequently in contravention of the ASCI Code for Self-Regulation in Advertising.

The basic guidelines for advertising recommended by the ASCI are:

- the truthfulness and honesty of representations and claims made by advertisements to safeguard against misleading advertisements;

- that advertisements are not offensive and do not contain anything indecent, vulgar or repulsive that is likely, in the light of generally prevailing standards of decency and propriety, to cause grave or widespread offence;

- the safeguarding against the promotion of products that are regarded as hazardous or harmful to society or individuals, particularly minors, to a degree or of a type that is unacceptable to society at large;

- that advertisements observe fairness in competition so that the consumers' need to be informed on choices in the marketplace and the standards of generally accepted competitive behaviour in business are both served; and

- In matters concerning celebrity endorsements, celebrities are expected to have adequate knowledge of the Codes and it is the duty of the advertiser and the agency to make sure that the celebrity they wish to engage with is made aware of them. Testimonials, endorsements or representations of opinions or preference of celebrities must be genuine.

11.6 MEASURING ADVERTISING EFFECTIVENESS

There are two most popular areas which need to be measured for knowing the effectiveness of advertisement and they are:

- Communication Effect
- Sales Effect

Communication Effect Research consists of three types of researches:

1. **Direct Rating Method** - here, customers are directly asked to rate the advertisement and then these ratings are calculated.

2. **Portfolio Tests** - here, the customers see the ads and listen carefully to the ads and all the contents of the ads and then they are asked to recall the ad and the contents. Then the calculations are done with the help of this data.

3. **Laboratory tests** - here, the apparatus to measure the heart rates, blood pressure, perspiration, etc. are used on the customer after he watches the ad, to know the physiological reactions of the body.

Sales Effect Research totally depends on the sales of the company. The sales keep varying from time to time. There are some factors affecting sales like product availability, the price of the product, contents of the product, and sometimes the competitors. So this method is a little more difficult than the communication one. The company doing sales effect research generally bothers about the sales of the product, they try to know whether or not the money they are spending on the ads is enough or excess.

It is not possible to measure each and everything and the chances are at the lower end if the company has many ads running through various mediums at the same time. As a result, the advertiser or corporation should employ acceptable and diverse tactics that are most relevant for the media in question.

- The company can hold surveys and product recognition tests

- Questionnaire or feedback flyers can be distributed and customers could be asked to fill it up.

- Toll free numbers can be highlighted on the ads so that customers can call up.

- The response rates can be increased by telling customers what to do. For e.g. some ads have lines in flashy color like "Hurry Up" or "No one can eat just one" or "be the first" etc.

These are the traditional ways. Nowadays, the internet is the modern tool for measuring the effectiveness of an advertisement. There are some types such as:

1. **Integrated direct marketing** - This is an internet based tool where they have a response corner designed on the websites. Whenever the customers visit the sites, they fill up their contact details and give feedback. Thus the company supplies more information and sends newsletters and also gets the idea for further action. But then it is not that only online advertisers have this facility but then advertisers who don't work online can use coupons, discount vouchers, etc. to do this.

2. **Analysis tool** - there is an analysis tool available on the internet by which the advertiser will know how many customers are visiting the site, who are shopping online, how many pages are viewed, etc. which in turn will help the advertiser to measure the effectiveness.

The Internet is the most easy, cheaper and cost effective way to measure the effectiveness because here no money is wasted as the ad is only viewed when the customer wants to view it whereas in normal print method or using TV, the ad sometimes goes unwatched or unattended and viewed for the sake of viewing.

11.7 ADVERTISING MYTHS

1. **Advertising works only for some businesses:** Advertising works for each and every company or business if only it is executed properly. But due to bad advertising, many ad campaigns fail to work in the desired way and the people think that advertisements are not their cup of tea. They must understand one simple rule of advertising - it should be for the right people at the right time through the right medium in the right place.

2. **Advertising is only needed when business is slow:** Who said that the big and successful brands don't advertise their products? Advertising is a continuous process with some renovations whenever needed. But, yes, when the business really is going slow or at its low, the advertising will have to be heavy and more in number. This will help the product to improve its market value and make people aware of the product.

3. **If a product is not selling, advertise it:** This is just not true. Just think about it. If you are selling a product which is not at all in vogue, and no one is using it, how will it get clear from the shelf? You need to understand the needs of customers and then sell the product. Advertisement doesn't mean selling anything you want but it means selling what customers want.

4. **Advertisements create needs:** The people already had cassettes to play and listen to music they liked when they didn't have the option of CDs. It is technology which came in, and it was only then CDs were advertised and sold. Advertisement only replaces the old things with new, it doesn't create needs.

5. **Advertise effects persist for decades:** It's the quality of the product which persists. Advertisement no doubt helps increase sales of the product and stays in memory of the people, but minds are captured by the product itself.

6. **Humuor in ads:** Sometimes humour gets in the way of delivering a message properly to the consumers but not every time it creates problems. Many of the times it helps people to remember the ad and the product and helps create a positive attitude towards the advertisement.

7. **Sex sells:** Not always. Some advertisers use sex for just increasing the sales and forget that the product doesn't need this type of ad at all. Remember once models MilindSoman and MadhuSapre posed naked for a shoe brand. It was really irrelevant.

8. **Creativity is the most important factor:** The ad should be no doubt creative enough to attract consumers but it is not the only selling factor. There has to be a good message to deliver, best media selection, and best quality of the product to make the product and ad both successful.

9. **Advertising costs so much:** Advertisements need money but one has to also consider the results in forms of increased sales, increased reputation in industry, recognition for product and also increased market value of product which advertisements brings along. Let's consider advertising as an investment and not an expense.

11.8 FUTURE OF ADVERTISING

Advertising is still all about the 'ifs and buts of a product', presented in a glowing rainbow like picture trying to attract consumers. But what is the future of advertising in coming years?

The idea of advertising a product was regarded as some kind of a big deal. Then the advertisements were very limited, and it took lots and lots of effort to make a single advertisement. And the customers then had no option other than watching those advertisements. Now, time has changed. Since the last 20 years or let's just consider the last 10 years, there has been a dramatic change in the world of advertisement. And this will not have a stoppage in coming years. The change doesn't mean that the advertising agencies will all be shut down and firms will take over. It just means that the existing advertising agencies will have to experience a change in the industry and within. They will be redefined and reinvented so that they can survive in the years ahead. The agencies which gave their number of years to this industry will also change for good, and be capable of coping up with new challenges, new competition and new attitudes of the consumers. Advertising Age: Change or Die and very well said.

- **The Bond:** - No one trusts the ad industry because there is no transparency. The ethics are not being the part of ads anymore. In coming years, the bond of trust has to be rebuilt again between the consumers and the advertisers. The advertisers will have to work hard to gain the confidence of the customers.

- **More Creativity:** - The creative people of the agencies should not limit their creativity by only working with the old style menu. This is the time to explore with help of the internet and digital tools.

- **Differentiated Products:** - The advertisers should launch a product which will be completely different but excellent to use. Then only the voice will be heard.

- **Attract Talent:** - More and more quality people should be hired today who will be leaders for tomorrow. They will be the people who lead to industry in the future with the best quality being coping up with everything. Better HR practices should also be appointed. These are some points which may help advertisers to survive and survive in a better way in the future. The people who will not change can just not stay in this new industry.

11.8.1 Location-Based Services:

To provide location-based services on Apple products, Apple and our partners and licensees may collect, use, and share precise location data, including the real-time geographic location of your Apple computer or device. This location data is collected anonymously in a form that does not personally identify you and is used by Apple and our partners and licensees to provide and improve location-based products and services. Some location-based services offered by Apple, such as the Mobile Me "Find My iPhone" feature, require your personal information for the feature to work.

11.8.2 Third-Party Sites and Services:

It's important to understand the difference between first-party and third-party services, and what it means for user privacy, when it comes to writing your website or app privacy policy. To help you differentiate between the two, let's use Facebook as an example. Facebook is a social networking platform that users interact with through services such as the Facebook browser and mobile app, Messenger and Facebook Ads. These are first-party services, or services that a business provides directly to customers or users.

On the other hand, third-party services are owned by a vendor that is independent from the first party. Websites and apps like Facebook often integrate with third-party apps like online games, marketing tools and e-Commerce platforms to provide a unified experience for users. From an online privacy perspective, the use of third-party services has been highlighted as a potential risk by industry regulators. Remember Facebook's Cambridge Analytica scandal in 2018? That was a clear example of third-party data sharing gone wrong. Laws such as the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA) have introduced new sets of rules and disclosure requirements for businesses that use third-party services.

Apple websites, products, applications, and services may contain links to third-party websites, products, and services.

We utilise the services of the below mentioned third parties for our advertising efforts on their platform. These companies do things like help us deliver ads to people who are most likely to be interested in seeing them, keep track of the number of users who saw a particular ad or visited a particular page of one of our websites, analyse the effectiveness of our ads etcetera. As your device communicates with the third party's servers, these companies can collect information, including your IP address, page header information, browser or device information. The following third parties who operate within our Services offer information about their data collection practices and, in some cases, an opt-out, on their respective websites. Please visit each company's

privacy policy to better understand the controls available to you and your rights with respect to the personal information that these third parties access, collect and use about you. Such as Facebook; Google Ads; BuySellAds.com; AdClerks.com are the examples of third party services. Web Hosts and Cloud Service Providers are Hetzner; Digital Ocean; Google; Amazon and Vulture etc.

11.9 SUMMARY

Consumer privacy and examine many of the issues related to this concept. However, more theoretically-driven research needs to be conducted in order to develop a working model of consumer privacy that specifies and defines this domain and that highlights the relationships between the relevant individual-level and firm-level dimensions, as well as their antecedents and consequences. In addition, more academic research is needed that addresses contemporary issues of consumer privacy from the changing perspectives of consumers and firms. Through this review, we have summarized the general concept of privacy, reviewed the current state of consumer privacy research, and have suggested ways to move this very important research area forward in the future. Consumer privacy is a continuing concern among many individuals and firms, and needs to be further developed in order to address these concerns in ways that are efficient and effective for all those concerned.

11.10 SELF-ASSESSMENT QUESTIONS

1. What are the ethical issues of advertising?

2. Why is ethics important in advertising?

3. What are some examples of ethics?

4. Is advertising ethical or unethical?

5. Why work with Ethical Advertising?

6. What are examples of ethical issues?

7. Why is privacy so important?

8. How can you respect privacy?

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Business Ethics &
Corporate Governance

Block
4

Block 4 - Internal Context

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BLOCK 4: INTERNATIONAL CONTEXT

In **Block 4** you would have learned about the job discrimination, the employee's obligations & rights, need for organisational ethics program and the ethics audit.

Unit 12 discusses about job discrimination: it's nature, discrimination: utility, rights, and justice, discriminatory practices, affirmative action, pros or advantages of affirmative action in the workplace, and cons or disadvantages of affirmative action in the workplace.

Unit 13 explains the obligations of employees to employers, responsibility of employees to employers, obligations of an employer and employee rights.

Unit 14 deals with eight elements of an ethical organisation, organisational ethics and management, importance of business ethics, ethical management, building a best-practices ethics program, ethical training program, steps involved in developing an ethics training program for employees, system to monitor and enforce ethical standards, functional ethics or compliance program and putting ethical design into practice.

Unit 15 deals with the importance of ethic audit, international business and ethics audit, consumer perception of ethics, step to audit and monitor to ethical culture, stakeholder perspective of ethics, types of an ethical audit, scope of an ethical audit, ethical crisis management and recovery, the auditing process, audit of corporate administration in India, and significance of corporate administration.

UNIT 12: JOB DISCRIMINATION

UNIT FRAMEWORK

12.1   PURPOSE

- To explore the concept of job discrimination

- To determine the reasons of job discrimination and Discriminatory Practices

- To elaborate Pros and Cons of affirmative Actions

- To explore the concept of Affirmative actions

- To explain the Cons or Disadvantages of Affirmative Action

12.2   INTRODUCTION

The Job Discrimination means making an adverse decision against the employee or the job applicant on the basis of his membership in a certain group. In an organisation, several instances can be seen where an individual is discriminated on the grounds of sex, religion, caste, physical disability and national origin.

In neoclassical economic theory, labor market discrimination is defined as the different treatment of two equally qualified individuals on account of their gender, race, age, disability, religion, etc. Discrimination is harmful since it affects the economic outcomes of equally productive workers directly and indirectly through feedback effects. Darity and Mason [1998] summarise that the standard approach used in identifying employment discrimination is to

isolate group productivity differences (education, work experience). Differences in outcomes (such as earnings, job placement) that cannot be attributed to worker qualifications are attributed to discriminatory treatment.

In the non-neoclassical view, discrimination is the main source of inequality in the labor market and is seen in the persistent gender and racial earnings disparities in the U.S. Non-neoclassical economists define discrimination more broadly than neoclassical economists. For example, the feminist economist Deborah Figart [1997] defines labor market discrimination as "a multidimensional interaction of economic, social, political, and cultural forces in both the workplace and the family, resulting in different outcomes involving pay, employment, and status". That is, discrimination is not only about measurable outcomes but also about unquantifiable consequences. It is important to note that the process is as important as the outcomes. Furthermore, gender norms are embedded in labor markets and shape employer preferences as well worker preferences; therefore, it is not easy to separate discrimination from productivity-related inequality.

Although labor market inequalities have declined after the U.S. Civil Rights Act of 1964, the movement towards equality has slowed down after the mid-1970s, especially more in gender terms than racial terms. The key issue in the debate on employment discrimination is the persistence of discrimination, namely, why discrimination persists in a capitalist economy.

12.3 ETHICAL IMPLICATIONS

The most common discriminatory practices with ethical implications are the following: Individuals may be discriminated against intentionally based on personal stereotypes or prejudices. If women request to work on a production line, it can be rejected on the basis of an assumption that women cannot understand the machinery.

The organisation can also discriminate, such as no women are to be placed in any supervisory position because the men in the organisation do not like to receive orders from a lady. The discrimination on the basis of caste, religion, national origin, gender is most often seen in the organisation. These discriminatory practices are unethical because it violates the basic moral rights of an individual. The workplace harassment, particularly of women is workplace discrimination.

- The actions taken to remove this discrepancy are called the affirmative actions that include the following approaches:
- Hiring people purely on job-related considerations
- Equal pay for equal work
- Giving the promotion opportunities to all purely on the basis of their performance
- Giving the due representation to the reserved categories

- Treating all the employees fairly.

Thus, it is the duty of the HR department to get rid of this job discrimination and provide an environment of equality to all the employees working in the organisation.

12.4   JOB DISCRIMINATION: IT'S NATURE

The root meaning of the term discriminate is "to distinguish one object from another," a morally neutral and not necessarily wrongful activity. However, in modern usage, the term is not morally neutral; it is usually intended to refer to the wrongful act of distinguishing illicitly among people not on the basis of individual merit, but on the basis of prejudice or some other invidious or morally reprehensible attitude. This morally charged notion of invidious discrimination, as it applies to employment. In this sense, to discriminate in employment is to make an adverse decision (or set of decisions) against employees (or prospective employees) who belong to a certain class because of morally unjustified prejudice toward members of that class. Thus, discrimination in employment must involve three basic elements. First, it is a decision against one or more employees (or prospective employees) that is not based on individual merit, such as the ability to perform a given job, seniority, or other morally legitimate qualifications. Second, the decision derives solely or in part from racial or sexual prejudice, false stereotypes, or some other kind of morally unjustified attitude against members of the class to which the employee belongs. Third, the decision (or set of decisions) has a harmful or negative impact on the interest of the employees, perhaps costing those jobs, promotions, or better pay.

12.4.1   Forms of Discrimination: Intentional and Institutional Aspects

A helpful framework for analysing different forms of discrimination can be constructed by distinguishing the extent to which a discriminatory act is intentional and isolated (or non-institutionalised) and the extent to which it is unintentional and institutionalised.

- First, a discriminatory act may be part of the isolated (non-institutionalised) behavior of a single individual who intentionally and knowingly discriminates out of personal prejudice.
- Second, a discriminatory act may be part of the routine behavior of an institutionalised group, which intentionally and knowingly discriminates out of the personal prejudices of its members.
- Third, an act of discrimination may be part of the isolated (non-institutionalised) behavior of a single individual who unintentionally and unknowingly discriminates against someone because the individual

unthinkingly adopts the traditional practices and stereotypes of the surrounding society.

- Fourth, a discriminatory act may be part of the systematic routine of a corporate organisation or group that unintentionally incorporates into its formal institutionalised procedures practices that discriminate against women or minorities.

12.4.2   Discrimination: It's Extent

How do we estimate whether an institution or a set of institutions is practicing discrimination against a certain group? We do so by looking at statistical indicators of how the members of that group are distributed within the institution. A prima facie indication of discrimination exists when a disproportionate number of the members of a certain group hold the less desirable positions within the institutions despite their preferences and abilities. Three kinds of comparisons can provide evidence for such a distribution:

a) Comparisons of the average benefits the institutions bestow on the discriminated group with the average benefits the institutions bestow on other groups,

b) Comparisons of the proportion of the discriminated group found in the lowest levels of the institutions with the proportions of other groups found at those levels and

c) Comparisons of the proportions of that group that holds the more advantageous positions with the proportions of other groups that hold those same positions.

12.5   DISCRIMINATION: UTILITY, RIGHTS, AND JUSTICE

The arguments mustered against discrimination generally fall into three groups:

a) Utilitarian arguments, which claim that discrimination leads to an inefficient use of human resources;

b) Rights arguments, which claim that discrimination violates basic human rights, and

c) Justice arguments, which claim that discrimination results in an unjust distribution of society's benefits and burdens.

12.5.1   Utility

The standard utilitarian argument against racial and sexual discrimination is based on the idea that a society's productivity will be optimised to the extent that jobs are awarded on the basis of competency (or "merit"). Different jobs, the argument goes, require different skills and personality traits if they are to be carried out in as productive a manner as possible.

Utilitarian arguments of this sort, however, have encountered two kinds of objections. First, if the argument is correct, then jobs should be assigned on the basis of job related qualifications only so long as such assignments will advance the public welfare. Second, the utilitarian argument must also answer the charge of opponents who hold that society as a whole may benefit from some forms of sexual discrimination.

12.5.2 Rights

Kantian Theory, for example, holds that human beings should be treated as ends and never used merely as means. At a minimum, the principle means that each individual has a moral right to be treated as a free person equal to any other person and that all individuals have a correlative moral duty to treat each individual as a free and equal person. Discriminatory practices violate the principle in two ways. Fist, discrimination is based on the belief that one group is inferior to other groups. Second, discrimination places the members of groups that are discriminated against in lower social and economic positions: women and minorities have fewer job opportunities and are given lower salaries. Again, the right to be treated as a free and equal person is violated.

12.5.3 Justice

John Rawls argued that among the principles of justice that the enlightened parties to the "Social and economic inequalities are to be arranged so that they are attached to offices and positions open to all under conditions of fair equality of opportunity. Discrimination violates this principle by arbitrarily closing off to minorities the more desirable offices and positions in an institution, thereby not giving them an opportunity equal to that of others. Arbitrarily giving some individuals less of an opportunity to compete for jobs than others is unjust.

12.6 DISCRIMINATORY PRACTICES

Among the practices now widely recognised as discriminatory are the following:

a) **Recruitment Practices:** Firms that rely solely on the word-of-mouth referrals of present employees to recruit new workers tend to recruit only from those racial and sexual groups that are already represented in their labor force.

b) **Screening Practices:** Job qualifications are discriminatory when they are not relevant to the job to be performed.

c) **Promotion Practices:** Promotion, job progression, and transfer practices are discriminatory when employees place White males on job tracks separate from those open to women and minorities.

d) **Conditions of Employment:** Wages and salaries are discriminatory to the extent that equal wages and salaries are not given to people who are doing essentially the same work.

e) **Discharge:** Firing an employee on the basis of race or sex is a clear from of discrimination.

12.6.1 Sexual Harassment

In 1978, the Equal Employment Opportunity Commission published a set of "guidelines" defining sexual harassment and setting out what, in this view, was prohibited by the law. In their current form, the guidelines state: Unwelcome sexual advances, requests for sexual favors and other verbal or physical contact of a sexual nature constitute sexual harassment when (1) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, (2) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual, or (3) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive working environment.

12.6.2 Other Groups beyond Race and Sex

Besides race and sex, discrimination can be based on:

a) Age
b) Sexual Orientation
c) Transsexual Status
d) Disability
e) Obesity

12.7 AFFIRMATIVE ACTION

To rectify the effects of past discrimination, many employers have instituted affirmative action programs designed to achieve a more representative distribution of minorities and women within the firm by giving preference to women and minorities. Affirmative action programs, in fact, are now legally required of all firms that hold a government contract. What does an affirmative action program involve?

The heart of an affirmative action program is a detailed study (a "utilisation analysis") of all the major job classifications of the firm. The purpose of the study is to determine whether there are fewer minorities or women is a particular job classification that could be reasonably expected by their availability in the area from which the firm recruits.

12.7.1 Affirmative Action in the Workplace

The affirmative action in the Workplace policies came into existence because of the civil rights movement that started back in the 1960s which were all put

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into place so that there can be equal opportunities for people everywhere. When it comes to preventing workplace discrimination, it will also protect them from the violence of others and discrimination that is outside the workplace. Several people have criticised that even while the action will prevent all discriminations for some of the groups and people, it will do the opposite when it comes to most people.

To understand the effects of affirmative action in the Workplace policies, looking for the disadvantages and advantages can help. Affirmative action in the Workplace program or action plan is a tool of management designed to make sure there is an equal opportunity for employment for all. The whole idea of this action is that over time there shall be no discrimination whatsoever based on gender, race, ethnic profiles, etc. The program consists of the diagnostic component which consists of several quantitative analyses that have been made to see the composition of the workforce of contractors and to compare them to the position of relevant labor pools.

12.7.2   Consist of Affirmative Action

Affirmative action in the Workplace program consists of action-oriented programs too. If minorities and women aren't being employed at the rate which is expected given the availability of the labor pool, the affirmative action program of the contractor will include some steps which are needed to address and handle this underutilisation.

12.7.3   An Effective Affirmative Action Program

The effective affirmative action also includes internal reporting of systems as a method of measuring the progress of the contractor which is needed for achieving the workforce that could be expected in the absence of such discrimination. The whole purpose of the program is to make sure there are equal opportunities for employment everywhere and that the contractors are committed to each other in every aspect of the process of employment.

Therefore as a section of the affirmative action in the Workplace program, the contractor must monitor as well as examine the decisions of the employment and the system of compensation so that they can evaluate the impact of such systems on minorities and women.

12.7.4   Affirmative Action as Compensation

Arguments that defend affirmative action as a form of compensation are based on the concept of compensatory justice. It implies that people have an obligation to compensate those whom they have intentionally and unjustly wronged.

The difficulty with arguments that defend affirmative action on the basis of the principle of compensation is that the principle requires that compensation should come only from those specific individuals who intentionally inflicted a

wrong, and it requires them to compensate only those specific individuals whom they wronged. Compensatory justice, however, does not require that compensation should come from all the members of a group that contains some wrongdoers, nor does it require that compensation should go to all the members of a group that constrains some injured parties.

a)   **Utilitarian Argument for Affirmative Action:**

- Claims affirmative action reduces need and so increases utility
- Criticised on grounds that costs outweigh benefits and that other ways of reducing need will produce greater utility.

b)   **Equal Justice Argument for Affirmative Action**

- Claims affirmative action will secure equal opportunity
- Claims affirmative action is a morally legitimate means

c)   **Arguments Made Against Equal Justice Argument for Affirmative Action**

- Affirmative action programs "discriminate" against White men
- Preferential treatment violates the principle of equality
- Affirmative action programs harm women and minorities

12.7.5   Implementing Affirmative Action and Managing Diversity

Opponents of affirmative action programs have argued that other criteria besides race and sex have to be weighed when making job decisions in an affirmative action program. First, if sex and race are the only criteria used, this will result in the hiring of unqualified personnel and a consequent decline in productivity. Second, many jobs have significant impacts on the lives of others. Consequently, if a job has significant impact on, say, the safety of others (such as the job of flight controller or surgeon), then criteria other than race or sex should have a prominent place and should override affirmative action. Third, opponents have argued that affirmative action programs, if continued, will turn us into a more racially and sexually conscious nation. Consequently, the programs should cease as soon as the defects they are meant to remedy are corrected.

The following guidelines have been suggested as a way to fold these sorts of considerations into an affirmative action program when minorities are underrepresented in a firm:

Both minorities and non-minorities should be hired or promoted only if they reach certain minimum levels of competency or are capable of reaching such levels in a reasonable time.

If the qualifications of the minority candidate are only slightly less (or equal or higher) than those of the nonminority, then the minority should be given preference

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If both the minority and nonminority candidates are adequately qualified for a position but the nonminority candidate is much more qualified, then:

a) If performance in the job directly affects the lives and safety of people (such as a surgeon or an airline pilot) or if performance on the job has substantial and critical effect on the entire firm's efficiency (such as head controller), then the more qualified nonminority should be given preference, but

b) If the position (like most positions in a firm) does not directly involve safety factors and does not have substantial and highly critical effect on a firm's efficiency, then the minority person should be given preference.

Preference should be extended to the minority candidates only so long as their representation throughout the various levels of the firm is not proportional to their availability.

12.7.6 Overall Conclusion

Affirmative action in the Workplace program is far more relevant than the **exercise of paperwork**. The program also includes practices, policies, procedures that the contractor shall implement to make sure that the applicants are given even opportunity and that the process of their selection and advancement is fast and easy.

12.8 PROS OR ADVANTAGES OF AFFIRMATIVE ACTION IN THE WORKPLACE

Here are some advantages of affirmative action in the workplace you should know about. Keep reading to find out how such a policy can benefit if you implement this policy at your workplace today itself. Read to know more:

1. Gives more opportunity to others: Famous scholar Randall Kennedy once said that the whole purpose of introducing affirmative action at your workplace is to make sure that people belonging to different races and backgrounds are capable of making use of the same opportunities given to them. He also goes on to tell that affirmative action in the Workplace not just enables common people but also minorities and women to get hold of jobs and cater to their own needs.

Also, the scholar goes on to tell that affirmative action can be used best when you are interviewing someone who has disabilities. People from all walks of life shall be able to get hold of the job that way. An example can be used to state this. Affirmative actions may help women get an interview for jobs that they might not give otherwise based on their cultural assumptions like the one of a police officer or maybe a plumber.

2. Diversity: Affirmative action in the Workplace also helps your workplace to become more intense and diversified. In that case, we are talking about not just

racial diversity but also age, general and gender diversity that people experience from all walks of life.

Experts and sociologists have argued in the past that both cooperation and creativity in a workplace is vital as all employees must know how to become more proactive at work with folks who have different lifestyles and attitudes along with a different ethnic background as well.

Reskin also likes to believe that when a workplace is not all that diverse, employees will become more comfortable which can hurt the dedication of their job.

3. Expansion: Famous historian Mr. Terry Anderson recently stated that most companies that strive to build a more diverse and well-developing workforce have more attraction to high-quality candidates for several social groups, women and minority applicants especially. As a result of this, there has been a bigger and much wider field of applicants of single, white, heterosexual people for example. Though there is no doubt of qualified candidates in a gang of single, young and straight white men, the historian still likes to believe that the qualified candidates will expand exponentially whenever the company looks for other social groups.

4. Boosted productivity: One of the best benefits that come with affirmative action is that it will boost more productivity. This primarily because employees become aware of all the pool of applicants that are ready to get hold of the job. Along with that, productivity is something that will boost diversity since employees have to become creative when they are working with other co-workers from different social groups with those they have not worked with earlier. Creativity can help people communicate better with each other and in that way, the execution also improves at the same time.

5. More commitment among people: The good thing about affirmative action is that it can provide all kinds of businesses with a much better means of moral commitment. This means there shall be more justice and equal treatment for all people. The biggest advantage of such moral stands at the workplace is not, however, direct. It may help employees share beliefs in the same principles of justice which can help you foster a more tolerant environment at work. Not only that, but it also assures all employees who come from repressed groups that the organisation shall consider them when the matter comes to promotions.

6. Protection from hatred: A final benefit you can derive out of affirmative action in the Workplace is that it protects you against hatred. The whole point of introducing this approach to the workplace is that those who do something wrong or commit a crime and offense on a person based on their gender or racial orientation shall be put behind bars or strict action shall be taken against them. This act guarantees safety to everyone everywhere. Hate crimes happen all the time and often they could be more violent. Hate crimes are when

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someone attacks a minority based on the same sexual orientation. The crimes will be appalling but thankfully since we have affirmative action, nothing like this shall be noticed.

12.9 CONS OR DISADVANTAGES OF AFFIRMATIVE ACTION IN THE WORKPLACE:

In this section, you are going to learn about the drawbacks and problems with affirmative action. Keep reading to find out what they are.

1. Qualifications: One of the biggest disadvantages of affirmative action in the Workplace is that the program will compel the employers to overlook applicants who are highly qualified and smart and focus on those who are not qualified all that much to just meet the standards of affirmative action.

Even though affirmative action expects you to be well qualified for the spot, in some places not even the best and most qualified people make it to the list. This could lead to a bigger problem in case the person who deserves the spot doesn't end up getting it.

2. Leads to more discrimination: In that sense, affirmative action in the Workplace will treat the majority groups a little unfairly because the policy as you can see gives preferential treatment towards minorities and other underrepresented classes presented historically.

Even though affirmative action efforts have been in place to stop and prevent racism, gender bias, as well as unfair discrimination, will create such situations for the majority of history. Some people may refer to some action as another form of racism or even discrimination since the system has now gone to places where the historic majority in some separate class is because of gender and race. This could coerce employers to make decisions based on numbers.

It could also boost competition in the applicants who are qualified since employees do not get any direct postings towards women and minorities.

3. Redirect focus: A big disadvantage that comes with affirmative action in the Workplace is that it will focus on the racial as well as gender issues instead of focusing on potential employers who are capable of doing a good job in a position they are given.

Affirmative action in the Workplace is something that can draw attention to past issues of discrimination and racism. Even though the issues could exist in the business of today's world, the action may not retract the injustices that have happened in the past.

4. Stigmatisation: The policies of affirmative action in the workplace may potentially create some kind of stigma that the women and minorities may obtain different positions in a company that is based on gender, ethnicity, gender and race instead of getting it through qualifications and achievements.

In every workplace, such stigma may translate into questioning the whole competence of women and minority employees to finish their jobs. The stigmatisation may also lead the women and minority to question when the employer has chosen to hire them.

5. It could become condescending: Affirmative action in the Workplace may provide special treatment and protection towards minorities. But ironically, this has also made several people feel like they really cannot succeed on their abilities and need some special aid just so that they can perform and do stuff that normal people usually do.

6. It will place low standards: Finally, affirmative action in the Workplace is something that will place low standards for education and employment everywhere all over America which could be a horrible thing to consider since the world is constantly changing and life must change for people to keep growing.

Like every other approach, affirmative action has both its advantages and disadvantages. Even though it's easy to cite them and give simple solutions to the problem, you must be very careful before implementing this approach at your workplace.

12.10 SUMMARY

Job discrimination is very harmful for any organisation. Various reasons for discrimination are age, gender, cast etc. affirmative actions are used to monitor and control the job discrimination. Organisation should be unbiased for all their employees. The whole plan and action are quite advantageous, to be honest, and could open up doors to a healthy and good environment but the disadvantages are also quite lethal. You have to keep that in mind as well.

Discrimination and gender inequality in employment relationships are present in every society, at any time. Job discrimination is when institutional decisions, policies, or procedures are at least partially based on illegitimate forms of discrimination that benefit or harm certain groups of people. Developed societies have a lower rate of job discrimination than developing societies have. The most common forms of job discriminations are discriminations based on gender, race, ethnic origin, religion, age. New forms are based on disability, sexual orientation, genetics and lifestyle. Not all discrimination is intentional or conscious. Sometimes people favor some groups of people over others as a matter of personal preference, or unconsciously accept stereotypes. Whatever, job discrimination is intentional or it is conscious, it is always immoral. Job discriminations violate utilitarian, rights and justice principles of ethics.

In a comparable worth program, each job in a firm is assigned a certain number of points for difficulty, skill requirements, experience, and other factors. Then,

jobs are assumed to deserve equal pay if they score similarly. The fundamental argument in favor of comparative worth is the principle of justice. Opponents counter that the market is the most appropriate determining factor of wages. If the market pays a certain job a low salary, they claim, it is because there is a large supply of workers in that category.

12.11 SELF-ASSESSMENT QUESTIONS

1. Define job discrimination. What are various bases for job discrimination?

2. Explain nature and extent of job discrimination.

3. What are various affirmative actions for job discrimination?

4. Explain gender issue for job discrimination.

5. Define job discrimination practices.

6. Define utility, rights, and justice discrimination.

7. What are the most common types of hiring discrimination?

8. What are the most common discrimination offenses?

9. Explain advantages of affirmative action in the workplace.

10. Critically examine the disadvantages of affirmative action in the workplace

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UNIT 13: THE EMPLOYEE'S OBLIGATIONS & RIGHTS

UNIT FRAMEWORK

13.1 Purpose

13.2 Introduction

13.3 Obligations of Employees to Employer

13.4 Responsibility of Employees to Employers

13.5 Obligations of an Employer

13.6 Employee's Rights

13.7 Summary

13.8 Self-Assessment Questions

13.9 Text and References

13.1 PURPOSE

- To explain obligation of employees for the firm
- To elaborate the rights of employees
- Duties of firms to the employees
- To explain various act for the rights of employees

13.2 INTRODUCTION

Harmony between employees and employers is only possible only when there is no selfishness in the relationship. There is a lot of employer's or firm's obligation to an employee. But for every employer's obligation there is also a corresponding obligation or responsibility of the employee to the employer. While employers give what is just and right, employees should also be obedient, because obedience counts a lot. An employee should be respectful while an employer should not delay the giving of wages and salaries. Because delaying wages is one way of oppressing the rights of an employee. An employee or worker should be sincere in rendering services, while the employer should pay wages on time. From the utility worker, to the clerk, up to the CEO, mutual respect must be observed, given our different racial, cultural, and religious backgrounds.

13.3 OBLIGATIONS/DUTIES OF EMPLOYEES TO EMPLOYER

These may be explained in the contract of employment, but the law also says that there are certain obligations and duties owed by an employee to their employer, even if the contract does not mention them. These include:

1. To do what a reasonable employee would do in any situation.
2. Duty to be honest.
3. Not to disrupt business, for example, taking part in industrial action.
4. Disclose wrongdoing (does not include "spent" convictions). But, the employee must disclose wrongdoing by other employees, even if this will incriminate them.
5. Carry out and follow orders of the employer, (as long as they are legal).
6. Not to disclose the employer's confidential information.
7. Work with reasonable care and skill.
8. Look after the employer's property if using it.
9. Not to compete in business against the employer while still working for them as an employee.
10. Not to take bribes.
11. Be prepared to change when the job changes, for example, if computers or other machinery are introduced to help the employee do their job.
12. Give any inventions to the employer if these are developed by the employee during their employment.

According to Parker and Wenner

Employers of all shapes and sizes are requiring their Employees, whether at will or term, to execute employment agreements that clearly define the obligations and duties the Employee owes to the Employer both during and after the employment relationship.

In the case of contract or term employees, the employee is expected to perform faithfully the services for which he or she contracted for the entire term or period of service. Courts presently hold if an employee leaves before the expiration time, he or she cannot claim pay for the work done. Some courts hold, however, that even in this case the employee is entitled to pay for work done "quantum merits" less what the employer lost by necessity of paying higher wages to the employee's successor, or the amount lost by the employee's failing to perform his contract.

The key provisions to include in employment agreements are as follows:

1. Term of employment.

2. Duties.

3. Compensation and benefits.

4. Effects of early termination and termination in general.

5. Compliance with hours.

6. Ownership and protection of information and intellectual property.

7. Post-employment non-competition, non-solicitation obligations.

8. Default and remedy section.

9. Miscellaneous provisions such as jurisdiction and venue.

The importance of employment agreements, whether they set out the parameters of an "at will" hourly arrangement or a salaried "term" relationship, cannot be understated. In this day and age when investment in employees and protection of intellectual property costs employers a great deal of revenue and time, a properly drafted employment agreement which adds an extra layer of insulation or the force of a hammer to an employer, at a time of need, can be vital.

13.4 RESPONSIBILITY OF EMPLOYEES TO EMPLOYERS

While it is important to know about the social responsibility of the company to the employees, the employees also have various responsibilities to you as their employer. After all, responsibility goes both ways.

1. **Following Rules:** Your employees should obey the policies and rules of your organisation, as well as the instructions they need to perform the work they are supposed to perform. This is the essence of what it means to be an employee.

2. **Honesty:** Your employees are expected to be honest in their dealings with and on behalf of your organisation. They should not steal from you or lie to you about business matters. They should also be honest in the way they represent themselves while applying for employment.

3. **Care and Skill:** Your employees should employ due care and skill in the job that they have been assigned to do. They should offer the full value for the time for which you are paying them.

4. **Confidentiality:** The employee is expected to keep the secrets of the company, and should not disclose confidential company information to unauthorised persons.

5. **Conflict of Interest:** The employee is expected to disclose any conflict of interest that may arise. These include relationships that could compromise you as the business owner, including working for a competitor.

6. **Care of Property:** The employee should exercise care for the facilities, equipment, and overall property of the employer

13.5 OBLIGATIONS OF AN EMPLOYER

Any employers in addition to special stipulations in the contract of employment have the following obligations:

1. To provide work to the worker according to the contract of employment.
2. To provide him with materials and implements necessary for the performance of the work.
3. To pay the worker wages and other necessary payments that should be made.
4. To respect the worker's human dignity.
5. To take all the necessary occupational safety and health measures and to abide by the standards and directives given by the appropriate authorities in respect of these measures.
6. To cover the cost of medical examination of the worker whenever such medical examination is required.
7. To give the worker, weekly rest days' public holidays and leave.
8. When the contract of employment is terminated or whenever the worker so requests, to provide the worker, free of charge, with a certificate stating the type of work he performed, the length of service and the salary he was earning.

Responsibility of an Employer

1. **Employee Payments and Taxes:** As a business owner and employer, it is your responsibility to pay your employees. You should ensure they receive at least the minimum wage per hour for the state in which your business operates. You should pay each employee the money you owe them or work in a given minimum pay period. That payment should include any overtime that the employee has worked, any sick leave that they have taken, and any vacation wages that they are entitled to. You should ensure that your employees receive their paychecks on time and should strive to never delay those paychecks so that your employees are also able to meet their own financial obligations in a timely manner.

2. **The IRS and Government:** The state government, as well as the IRS, has requirements when it comes to such things as federal and state taxes, Social Security, and Medicare. You should make these payments out of the wages paid to each employee who is employed at your business. Depending on the state in which your business operates, there may be stricter rules for how

you are to pay your employees. It is important that you check with the labor department of your state to learn more about the labor laws in your state.

3. **Employer Reporting to Employees:** You shouldn't just pay your employees. You should also make sure you report to them about their earnings. This is one of the most important responsibilities of management to its employees. Each paycheck should include a statement that shows their gross pay, the withholdings, and deductions that have been made and their net pay for the pay period in particular and the year to date in general.

4. **Maintaining Safety Standards:** It is a requirement of the federal government that you maintain a work environment that is safe for your employees. The level of safety should be in accordance with the specific standards set by the Occupational Safety and Health Administration (OSHA) for the industry in which your small business operates. It is also imperative that you inform your employees of any areas in your business where they will be at a high risk of injury so that they are aware. You are also required to train them in the correct safety procedures so that the risk of incurring an injury can be kept at a minimum.

5. **Maintaining Proper Equipment and Tools:** Make sure that each of your employees uses the correct equipment and tools that are safe for the particular industry that your business operates in. That is another responsibility that rests on you as the business owner. You should also regularly inspect the facilities at your business' place of operations and also test the safety knowledge of your employees. By doing these regularly, you ensure that your workplace is always as safe as it possibly can be under any given circumstances.

6. **Obtaining and Maintaining Insurance:** While the above section was all about the measures you can take as a business owner to ensure that your workplace is as safe as it can possibly be, the fact is that you can never fully cover your bases. There will always be a risk that accidents will happen. When your employees suffer injuries in the course of work through no fault of their own, you are entirely responsible as their employer for filing a claim with the workers' compensation insurance provider you had signed up with.

7. **Workers' Compensation Insurance:** Workers' compensation insurance is a special kind of insurance that covers the medical care expenses of restoring the worker to health, as well as the payment of their wages during the period that they are recovering. This is known as wage replacement. Throughout the process, you must always treat your worker with the respect that he deserves. You should never delay the filing process or

attempt to delay it or try to stop the employee themselves from filing a claim. It is illegal, and you could end up not only facing serious legal fines but also potential jail time, if it is found that you have failed to honor your end of the bargain, as an employer and business owner.

8. **The Business Climate:** Now, to be entirely fair, it is not your responsibility to make sure your employees are always in a happy mood. However, it is the social responsibility of a business towards employees to prevent harassment in the workplace. You shouldn't harass your workers in any way and neither should you allow your employees to harass each other in any way. As a business owner, you have a responsibility to engineer the right kind of work environment for your employees. It should be one where they all feel respected and treated fairly regardless of their religion, abilities or disabilities, countries of origin, ethnicity, gender, race or age.

There may be times when your employees come to you and complain about harassment in the workplace. You should never ignore your employees about these issues. You should confront these issues directly and immediately. Doing so will not only make your employees feel taken care of, which could lead to increased productivity, it will also help you avoid high legal costs in the form of lawsuits for allowing harassment to occur in your workplace.

13.6 EMPLOYEE RIGHTS

Indian labour law refers to laws regulating labour in India. Indian labour law is closely connected to the Indian independence movement, and the campaigns of passive resistance leading up to independence. While India was under colonial rule by the British Raj, labour rights, trade unions, and freedom of association were all regulated by the:

1. Indian Slavery Act, 1843
2. Societies Registration Act, 1860
3. Co-operative Societies Act, 1912
4. Indian Trade Unions Act, 1926
5. The Trades Disputes Act, 1929

Workers who sought better conditions and trade unions that campaigned through strike action were frequently and violently suppressed. After independence was won in 1947, the Constitution of India of 1950 embedded a series of fundamental labour rights in the constitution, particularly the right to join and take action in a trade union, the principle of equality at work, and the aspiration of creating a living wage with decent working conditions.

In the Constitution of India from 1950, articles 14-16, 19(1) (c), 23-24, 38, and 41-43A directly concern labour rights. Article 14 states everyone should be equal before the law; article 15 specifically says the state should not discriminate against citizens, and article 16 extends a right of "equality of

opportunity" for employment or appointment under the state. Article 19(1) (c) gives everyone a specific right "to form associations or unions". Article 23 prohibits all trafficking and forced labour, while article 24 prohibits child labour under 14 years old in a factory, mine or "any other hazardous employment".

Articles 38-39, and 41-43A, however, like all rights listed in Part IV of the Constitution are not enforceable by courts, rather than creating an aspirational duty of the State to apply these principles in making laws. The original justification for leaving such principles unenforceable by the courts was that democratically accountable institutions ought to be left with discretion, given the demands they could create on the state for funding from general taxation, although such views have since become controversial. Article 38(1) says that in general the state should "strive to promote the welfare of the people" with a "social order in which justice, social, economic and political, shall inform all the institutions of national life. In article 38(2) it goes on to say the state should "minimise the inequalities in income" and based on all other statuses. Article 41 creates a "right to work", which the National Rural Employment Guarantee Act 2005 attempts to put into practice. Article 42 requires the state to "make provision for securing just and human conditions of work and for maternity relief". Article 43 says workers should have the right to a living wage and "conditions of work ensuring a decent standard of life". Article 43A, inserted by the Forty-second Amendment of the Constitution of India in 1976 creates a constitutional right to codetermination by requiring the state to legislate to "secure the participation of workers in the management of undertakings".

Indian labour law makes a distinction between people who work in "organised" sectors and people working in "unorganised sectors". The laws list the detours to which various labour rights apply. People who do not fall within these sectors, the ordinary law of contract apply.

India's labour laws underwent a major update in the Industrial Disputes Act of 1947. Since then, an additional 45 national laws expand or intersect with the 1948 act, and another 200 state laws control the relationships between the worker and the company. These laws mandate all aspects of employer-employee interaction, such as companies must keep 6 attendance logs, 10 different accounts for overtime wages, and file 5 types of annual returns. The scope of labour laws extend from regulating the height of urinals in workers' washrooms to how often a work space must be lime-washed. Inspectors can examine working space anytime and declare fines for violation of any labour laws and regulations.

13.7 SUMMARY

There are a lot of employers or firm's obligations to an employee but for every employer's obligation there is also a corresponding obligation or responsibility

of the employee to the employer. While employers give what is just and right, employees should also be obedient, because obedience counts a lot. An employee should be respectful while an employer should not delay the giving of wages and salaries. Because delaying wages is one way of oppressing the rights of an employee. An employee or worker should be sincere in rendering services, while the employer should pay wages on time.

13.8 SELF-ASSESSMENT QUESTIONS

1. Distinguish between obligation and responsibility.

2. Explain various obligations of employees to firms.

3. Explain Minimum wages act.

4. Elaborate various responsibilities of the employer.

5. What are various key provisions for employment agreements?

6. What are the various employee rights?

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UNIT 14: NEED FOR ORGANISATIONAL ETHICS PROGRAM

UNIT FRAMEWORK

14.1 PURPOSE

- To explain concept of organisational ethics
- To elaborate Organisational ethics program
- To define code of conduct
- To describe ethics of training and communication system
- To explain the system to monitor and enforce ethical standards

14.2 INTRODUCTION

The way an organisation should respond to an external environment refers to organisation ethics. Organization ethics include various guidelines and principles which decide the way individuals should behave in the workplace. It also refers to the code of conduct of the individuals working in a particular organisation. Every organization runs to earn profits, but how it makes money is more important. No organisation should depend on unfair means to earn money. One must understand that money is not the only important thing; pride and honour are more important. An individual's first priority can be to make money but he should not stop too low just to be able to do that. Children under

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fourteen years of age must not be employed to work in any organisation. Childhood is the best phase of one's life and no child should be deprived of his childhood. Employees should not indulge in destruction or manipulation of information to get results. Data Tampering is considered strictly unethical and unprofessional in the corporate world. Remember if one is honest, things will always be in his favour.

Employees should not pass on company's information to any of the external parties. Do not share any of your organisation's policies and guidelines with others. It is better not to discuss official matters with friends and relatives. Confidential data or information must not be leaked under any circumstances. There must be absolute fairness in monetary transactions and all kinds of trading. Never ever cheat your clients. Organisations must not discriminate any employee on the grounds of sex, physical appearance, age or family background. Female employees must be treated with respect. Don't ask your female employees to stay back late at work. It is unethical to discriminate against employees just because they do not belong to an affluent background. Employees should be judged by their work and nothing else.

Organisation must not exploit any of the employees. The employees must be paid according to their hard work and efforts. If individuals are working late at night, make sure overtimes are paid. The management must ensure employees get their arrears, bonus, incentives and other reimbursements on time. Stealing office property is strictly unethical. Organisation must take care of the safety of the employees. Individuals should not be exposed to hazardous conditions.

Never lie to your customers. It is unprofessional to make false promises to the consumers. The advertisements must give a clear picture of the product. Do not commit anything which your organisation can't offer. It is important to be honest with your customers and expect loyalty from them. It is absolutely unethical to fool the customers. The products should not pose a threat to the environment and mankind. Employees on probation period can be terminated anytime, but organisations need to give one month notice before firing the permanent ones. In the same way permanent employees need to serve one month notice before resigning from the current services. Employees can't stop coming to the office all of a sudden.

14.3 EIGHT ELEMENTS OF AN ETHICAL ORGANISATION

There has been a lot of attention paid to ethics in business lately. Of course, most of that focus has been on the lack of ethics in business. Even worse, the drive to "get ethics" is now a huge push. I cringe at the thought of a quick fix for something as fundamental as a company's ethical behavior. Ethics are a foundation of a good company, and while they can be fixed, the best companies begin with a solid ethical footing. For entrepreneurs, ethical

behavior is often overlooked as the chaos of everyday business obscures the philosophical side of your company. But fear not, it is far easier to reconnect to a solid ethical footing than it is to attempt an "ethics transplant." Consider these eight elements that comprise the ethical bedrock of an awesome organisation:

14.3.1   Respect

As an entrepreneur building a business, you need to respect yourself and surround yourself with people you can respect. Remember, strong respect doesn't mean you can fly on auto-pilot. While you can assume your people will do their job as well as they can, they do need coaching, training and direction, but respect and trust make it easier for you to avoid micro-managing them. Do not hire or do business with people you don't respect, or who don't respect you. These are the types of people who ultimately don't respect their colleagues, customers, vendors, or themselves. When existing relationships weaken, take action. Do your best to rebuild mutual respect, but it can no longer be rebuilt, let the person go.

14.3.2   Honor

Good people are a fundamental part of good ethics. They are also great ambassadors for doing things right. Give special attention to strong performers and people who exemplify the spirit of your organisation. Most companies recognise top achievers and producers. Go beyond quotas and sales figures. Point out, and show your gratitude to the people who exhibit exemplary behavior, and who have made sacrifices on your behalf. These are people who have helped you be successful, and you need to acknowledge and honor their contributions publicly, as well as privately.

14.3.3   Integrity

When it comes to integrity, it is impossible to avoid sounding preachy or parental. Do not lie, steal, or cheat. Make your word your bond and always stand by your word. When you are wrong, own up to it and make good on the deal. Treat others as you'd want to be treated. Do not hire or retain people who do not have integrity. Other employees, customers and vendors will not trust them. That lack of trust is like a virus; eventually they will not trust you either. Make sure no one is selling the company's values short to make a quick buck. After all, making a bad deal to meet a quota or target is not only unethical, it's often unprofitable in the end.

14.3.4   Customer Focus

A company is nothing if it does not have customers. More to the point, if a company does not produce what people want and will pay for, there is no point to that company. A focus on your customers reinforces the responsibility you have to the market. Your decisions affect your people, your investors, your

partners and ultimately, your customers. Serving all of these people is part of your ethical responsibility. Selling your customers short not only risks compromising your ethics, it also risks the long-term health of your company.

14.3.5 Results-Oriented

You wouldn't be an entrepreneur if you weren't focused on results already, but ethics factor into results too. Don't aim for results at any cost. Work on achieving your results within your company values. Results should be attained in the context of developing something that customers want, and producing and delivering it at a price that is fair to all the parties involved. Good managers clearly identify the results they expect, then support their employees and help them achieve those results. They provide feedback on performance in an effort to help the employee achieve their potential, and the results the company needs for success. In a good company (and an ethical company), results are more than just numbers. They are benchmarks and lessons for the future as well as goals for the present.

14.3.6 Risk-Taking

So far, you might be feeling that ethical companies are timid and mousy, scared of doing the wrong thing. That is simply not true. Organisations that thrive, prosper and grow do so by taking risks. They do not stick to the safe path. Great companies innovate, they think "out of the box", and they try new things. They re-invent themselves and they reward the risk-takers. As long as you stick to your philosophical guns, risk-taking poses no threat to your ethics. Great companies attract employees who are willing to take risks, and they encourage, support and reward them for taking calculated risks. When the risks pay off, they share the rewards with those who produced. When the risks do not pay off, they take the time to analyse what went wrong, and learn what to do better next time.

14.3.7 Passion

Great organisations are composed of people who have a passion for what they are doing. These are people who are working for you for the thrill and challenge, not merely putting in time to collect a pay-check. They are excited, driven, and believe that their work and efforts can make a difference. People can demonstrate their excitement in many ways, so be aware that extra effort on a project or working on the weekend shows passion as much as enthusiastic cheerleading.

14.3.8 Persistence

People in awesome organisations have the will to persist. They will keep working even when results are not what they hoped, or when customers refuse to buy. Their persistence is tied to their passion for what they are doing and a

belief that this group of people, this company, has the best chance of "making it" of any company they could join. And so, they work harder, they continue to take risks. They behave with honor and integrity. They keep their focus on the customer's needs and wants. And, they are not satisfied until they achieve the goals and results that are expected. Sticking to your beliefs might be the ultimate representation of good ethics. And not surprisingly, it doesn't just make good sense from an ethical standpoint, but it makes great business sense.

14.4 ORGANISATIONAL ETHICS AND MANAGEMENT

Ethics refers to the principles, rules and standards of moral behaviour that are accepted by society as right or wrong. It tells the difference between the right and wrong. It guides the employees of the organisation to decide on the best course of action in situations where it is difficult to make the right choice, or at least the best choice from among competing alternatives.

Organisational ethics is also known as corporate or business ethics. It is a form of applied ethics or professional ethics that examines ethical principles and morals or ethical problems that arise in an organisational environment. It applies to all aspects of organisational conduct and is relevant to the conduct of its management and employees as well as the organisation as a whole. It can be both a normative and a descriptive discipline. The range and quantity of ethical issues reflects the degree to which organisational working is perceived to be at odds with non-economic social values.

14.4.1 Ethical Behaviour

Ethical behaviour is the behaviour that conforms to the ethics which is individual beliefs and social standards about what is right and good. Ethics are important for getting along with others, living with oneself, and having a good character.

Organisational ethics is concerned with the ethical behaviour of the organisation while carrying out its operations. Unethical practices create problems within the organisation. The life and growth of the organisation depends upon the ethics practiced by its management and employees. Ethical behaviour facilitates and promotes good to society, improves profitability, fosters customer relations and employee productivity. Organisational behaviour has effects on products/ services and on the relationships with stakeholders.

14.4.2 Core Values of Organisational Ethics

Ethical behaviour is based on values such as trustworthiness, respect, responsibility, caring, fairness and justice, and good citizenship. The following are the six core ethical values of organisational ethics which influences ethical behaviour.

1. **Trustworthiness**: It is the broadest and most complicated of the core ethical values. It is a broad value concerned with all the qualities and behaviour that makes a person worthy of trust, especially integrity, honesty, promise keeping, and loyalty.

2. **Respect**: Respect focuses on the moral obligation to honour the essential worth and dignity of the individual. It is expressed in terms of positive qualities such as civility, courtesy, dignity, autonomy, tolerance, and acceptance. It also involves prohibitions against such conduct as violence, humiliation, manipulation, and exploitation etc.

3. **Responsibility**: It speaks of the moral obligations to be accountable, perusal of excellence, and exercising of the self-restraint.

4. **Fairness and Justice**: Fairness and justice embodies concern with equity, equality, impartiality, proportionality, openness, and due process.

5. **Caring**: It is the central value relating to sincere and abiding concern for the wellbeing of others. Concepts of charity, kindness, compassion, empathy, and sharing are included under caring.

6. **Citizenship**: The concept of citizenship includes civic virtues and duties that prescribe how the organisation ought to behave as part of a community. The exercise of good citizenship requires doing one's share to make society work and demonstrating a concern for future generations. A good citizen, for example, respects the law, reports crimes, serves on juries, votes, pays taxes and protects the environment.

14.4.3   Characteristics of Organisational Ethics

The important characteristics of the organisational ethics are given below.

- Organisational ethics are the principles, which govern and guide the management to perform organisational functions in a disciplined manner.

- Organisational ethics continuously test the rules and moral standards and is dynamic in nature

- Organisational ethics is based on theological principles such as sincerity, human welfare, service, and good behaviour etc.

- Organisational ethics is based on reality and social customs prevailing in a business environment. Many of the ethical principles develop the personal dignity

- Organisational ethics studies the activities, decisions and behaviour which are related to human beings and has universal application.

- Organisational ethics keeps harmony between different roles of management and employees, with customers, suppliers, investors, and society.

14.4.4   Principles of Organisational Ethics

The principles of organisational ethics are as follows.

1. **Sacredness of means and ends:** This principle of organisational ethics emphasises that the means and techniques adopted to serve the organisation ends must be sacred and pure. It means that a good end cannot be attained with wrong means, even if it is beneficial to the society.

2. **Not to do any evil:** It is unethical to do a major evil to another or to oneself, whether this evil is a means or an end.

3. **Principle of Proportionality:** This principle suggests that one should make proper judgment before doing anything so that others do not suffer from any loss or risk of evils by the conduct of the organisation.

4. **Non-cooperation in Evils:** This principle clearly points out that the organisation should not cooperate with any one for doing any evil acts.

5. **Cooperation with Others:** This principle states that the organisation should help others only under condition when others deserve help.

6. **Publicity:** Anything that is being done or to be done, should be brought to the knowledge of everyone. If everyone knows, none gets the opportunity to do an unethical act.

7. **Equivalent Price:** Everyone is entitled to get goods equivalent to the value of the money that he pays.

8. **Universal Value:** According to this principle the conduct of the organisation should be done on the basis of universal values.

9. **Human Dignity:** As per this principle, employees should not be treated as a factor in production and human dignity must be maintained.

10. **Nonviolence:** If the organisation hurts the interests and rights of the society and exploits the consumer by overlooking their interests this is equivalent to violence and unethical acts.

14.4.5   Importance of Business Ethics

There are many reasons for organisational ethics to be regarded as an important area since it helps the organisation in evaluating its activities and helps the management in improving the decision making process. Good organisational ethics promotes the operation of the organisation in the following way. The power and influence of an organisation in society is greater than ever before. Organisational ethics help the management to understand why this is happening, what its implications might be, and how to address the situation.

The organisation has the potential to provide a major contribution to the society, in terms of producing the products and services that it needs, providing employment, paying taxes, and acting as an engine for economic development and thereby increasing goodwill. Malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment.

Through helping the organisation to understand more about the causes and consequences of these malpractices, organisational ethics helps to create mutual trust and confidence in relationships.

Organisational ethics can help to improve ethical decision making by providing management with the appropriate knowledge and tools that allow it to correctly identify, diagnose, analyse, and provide solutions to the ethical problems and dilemmas it is confronted with. Organisation can prosper on the basis of good ethical standards. Organisational ethics helps to retain the operations for a longer period.

14.4.6   Ethical Management

Implementation of organisational ethics in the organisation needs certain steps. Ethical or unethical behaviour of individual employees is influenced in the workplace both by their own moral development and the influence that the organisation culture exerts on them. They are influenced by a group of forces that surround them such as their peers, their supervisors, and superiors, the reward system, group norms, organisational values and policies and the manner of their implementation. In some of the organisations, there may be ethics officers who are entrusted with the responsibility to implement ethics in the organisation. Further the HRM department must prepare a sound ethical programme which should include the following components.

1. Formal code of conduct
2. Ethics committee
3. Ethical communication
4. Ethics officer
5. Ethics training programme
6. Disciplinary system in the organisation
7. Establishing an ombudsperson.
8. Monitoring
9. Necessity for organisational ethics

The following are the ten necessities for an organisation to implement organisational ethics.

1. To satisfy shareholder expectations
2. To protect the reputation of the organisation
3. To build trust with those groups with which the organisation works
4. To guard against unethical employees and competitors
5. To establish a working environment that matches the core values
6. To ensure that the organisation is an equal opportunity employer
7. To maintain a safe working environment for employees
8. To engage actively with local communities as a partner
9. To maintain high standards of integrity

10. To adhere to the practice of full disclosure on the quality of goods and services

14.5 STEPS TO BUILDING BEST-PRACTICES ETHICS PROGRAM

The 12 elements of a best-practices ethics program include the following. Each element is described in reference to the pressure-to-perform scenario.

1. **Vision Statement**: A vision statement defines the long-term, most desirable future state for the organisation. The vision gives employees and managers a first screening test for decisions. They should ask themselves: "Will this decision or action move the organisation closer to its vision?" Example: When setting performance goals HR should question whether the goals further the vision. But this alone is an insufficient test of the appropriateness of a set of goals. For example, "stretch" goals can further the vision in ways that are inconsistent with company values. A better measurement of the appropriateness of a goal would be: If meeting the goal will require unethical actions, the goal should be rejected.

2. **Values Statement**: A values statement defines general principles of required behavior. It's the standard against which decisions and actions are evaluated to determine if they meet the company's and employees' requirements. Example: An organisation that adopts the simple values of fairness, honesty and integrity would set only those goals that employees can achieve through honest means, and would require that employees refrain from "gaming the system" and that communication among all parties be truthful.

3. **Organisational Code of Ethics**: A code of ethics gives organisation-specific definitions of what's expected and required. The code of ethics should clarify the organisation's expectations. The code also defines the consequences for failure to meet the standard. Example: In detailing the values of honesty or integrity, the code of ethics would specify that reporting of sales and work times be accurate and truthful, and that failure to meet this standard can be cause for dismissal.

4. **Ethics Officer**: An ethics officer ensures that the ethics systems are in place and function. This person monitors the organisation to determine if it's making a good faith effort to abide by its stated values that the code of conduct supports those values and that violations of those values are prevented or detected and addressed. The ethics officer usually oversees the ethics communication strategy and mechanisms for employees to obtain guidance and report suspected wrongdoing. Example: In the pressure-to-perform case, the ethics officer should encourage and receive communication from employees about the performance standards and

determine whether or not those standards constitute an impetus to violate the organisation's values and code of ethics.

5. **Ethics Committee:** The ethics committee oversees the organisation's ethics initiative and supervises the ethics officer. It's the final interpreter of the ethics code and the final authority on the need for new or revised ethics policies. Early in the ethics initiative, it also may act as an ethics task force, creating the infrastructure it will eventually oversee. Example: The ethics committee receives information regarding any patterns or trends in employee comments about goal-setting, measurements and rewards, as well as instances of reported misconduct. It's responsible for initiating the organisation's response to those patterns and trends, which likely includes a review of the goal-setting guidelines and a test of the reasonableness of current goals. The committee also initiates steps to reverse the pressure to violate the code of ethics to meet artificially high performance standards.

6. **Ethics Communication Strategy:** If employees are to know what's expected of them and what resources are available to them, the ethics officer must create a cohesive ethics communication strategy. This strategy ensures that employees have the information they need in a timely and usable fashion and that the organisation encourages employee communication regarding the values, standards and the conduct of the organisation and its members. Example: Employees require information about what's expected and how to safely raise their concern if the goals, as set, are unattainable by any means that the organisation would condone.

7. **Ethics Training:** Ethics training teaches employees what the organisation requires, gives them the opportunity to practice applying the values to hypothetical situations and challenges, and prepares them to apply those same standards in the real world. Example: Ethics training enables employees to recognise the ethical dilemma of unreasonable goals and ensures they know what resources are available for safely raising the issue. It also makes it evident to the managers setting those standards that doing so creates an unacceptable condition in the workplace.

8. **Ethics Helpline:** Help lines aren't just for reporting unethical conduct. They also make it easier for the organisation to provide guidance and interpretation of its expectations when the intent of an ethics policy is unclear. Example: In the pressure-to-perform scenario, a call to a help line alerts the organisation to the problem and ultimately leads to restoring reasonableness to the sales and performance objectives.

9. **Measurements and Rewards:** In most organisations, employees know what's important by virtue of what the organisation measures and rewards. If ethical conduct is assessed and rewarded, and if unethical conduct is identified and dissuaded, employees will believe that the organisation's principles mean it when they say the values and code of ethics are important. Example: Appropriate rewards and measures prevent the

unreasonable goals that are the motivation for the lying, cheating and stealing.

10. **Monitoring and Tracking Systems:** It isn't enough to track and monitor employee behavior. It's also critical to assess the extent to which employees accept and internalise the organisation's values and ethics code. Do they agree with their importance and appropriateness? Do they believe they apply to all employees at all levels? Example: If employees suspect that managers know employees are cheating to reach goals and are looking the other way, this may suggest that looking good on the sales reports is more important to managers than doing the right things in the right ways.

11. **Periodic Evaluation:** It's important to assess periodically the effectiveness of any initiative, especially an ethics program. Is the commitment still there? What has been the impact of recent changes? Are ethics-related goals and objectives being met? What new challenges are emerging? Example: With periodic ethical climate evaluations the pressure to improve sales and service performance can be anticipated, preventing an ethical mess to follow.

12. **Ethical Leadership:** The bottom line is that ethics is a leadership issue. Leaders set the tone, shape the climate and define the standards. If managers are trustworthy and trusted then their motivations are honorable and their expectations crystal clear. Problems arise when the leaders are distracted by other elements of running the organisation and fail to ensure that the ethical systems are in place and are effective. Example: The pressure-to-perform scenario can develop because managers are sidetracked by competition and inadvertently communicate that nothing is more important than sales. The message they should be communicating is that sales, honestly made and honestly reported, are crucial, but that dishonest sales dishonestly reported serve no one.

14.6 ETHICAL TRAINING PROGRAMME

What does it mean to have an ethical workplace? An ethical workplace has well-established codes of professional and personal conduct that not only stay in compliance with all regulations and laws that govern your business, but also moral codes of conduct that include honesty, diversity, compassion, and good citizenship. Both of these aspects provide two main functions for your business.

1. **Protects Your Company's Bottom Line:** Unethical behavior impacts profits when multi-million dollar fines are levied on unethical corporations. This same behavior can cost the company in terms of lower stock prices, fewer customers, and inability to do business with those who don't trust you.

2. **Makes Your Company a Great Place to Work:** On the other hand, employee ethics training makes a company a great place to work. Consider

Patagonia with their mission statement: "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis." Patagonia was ranked as one of 2018's best places to work for new dads and is consistently cited as a company that cares about its employees, their actions, and their impact on the world. Turnover is, as Fortune puts it, "freakishly low", and a lot of that has to do with the ethical culture of the company.

14.7 STEPS INVOLVED IN DEVELOPING AN ETHICS TRAINING PROGRAM FOR EMPLOYEES

Ethics training keeps your company profitable and helps employees make consistently good decisions in service to their colleagues, their customers, and themselves. However, not just any ethics training course will do. Developing an ethics training program for employees incorporates the following eight steps.

1. **Stand for Something (Or Watch Employees Fall for Anything):** If you are a new company or are new to the idea of articulating your company's ethics, it can be valuable to have a company-wide conversation that gets to the heart of your company culture. It's hard to offer ethics training for employees when you are not clear what your company stands for. Start your employee ethics training by either developing a code of conduct for your company or making sure employees are clear on the one that already exists. Do not assume that even your most senior employees know what it is.

2. **Identify the Different Types of Ethical Training You Can Include:** All quality training begins with a training needs analysis. In the case of ethics training for employees, you might consider focusing on one or more of the following areas: Ethical conduct, both in and out of the office, Customer privacy and data protection, Company code of ethics, Common ethical dilemmas, Company culture, Customer relations, Regulatory and compliance training and Diversity training.

3. **Train Employees Where They Are:** You know what your employees need, and it's not a monthly lecture on how to be a good person. You hired them. Chances are good that your employees are already quality humans. So train those humans in the way they want to be trained.

4. **Get Your Leadership Involved:** Let's be honest. If your leadership isn't 100% behind ethics training for employees, they may be sending the message that ethics are not very important. Ethical leaders are committed to working with ethical employees. Chances are good they have some ideas about what they'd like to focus on. Get leadership involved and committed from the very beginning.

5. **Consider Incentives:** New research suggests that incentives for employees work. Consider offering gift cards, afternoons off, or other small bonuses for employees who go above and beyond and put their training into action.

6. **Create Common Goals and Identity:** Part of articulating your ethical company culture and getting leadership involved is the journey to creating common goals and a unified company identity. Get really clear about who your company is and what it stands for. It worked for Patagonia, and on the surface they are just selling clothes.

7. **Make It Fun:** We get it. Employee training of any kind can be a bit of a slog, and employee pushback can be intense. There are ways to make things more fun, though, even when it comes to serious discussions.

8. **But, Take It Seriously:** Sure, it's easy to make fun of ethics training for employees. It seems like everyone has a ready joke at hand.

However, if your goal is for employees to represent your company with respect and consideration, functioning as a team where everyone is appreciated, supported, and heard, you need to take this type of training seriously. Give it the time, space, and resources it needs to be done well. Whether you need a nudge in the right direction or a complete overhaul of your current ethics training, get started developing your ethics training program today.

14.8 SYSTEMS TO MONITOR AND ENFORCE ETHICAL STANDARDS

The existence of an internal system by which employees can report misconduct is especially useful for monitoring and evaluating ethical performance. Many companies have set up ethics assistance lines often called help lines or help desks to offer support and give employees an opportunity to ask questions or report ethical concerns. Although there is always some concern that employees may misreport a situation or abuse a helpline to retaliate against a coworker, help lines have become widespread, and employees do use them. An easy-to-use help line or desk can serve as a safety net that increases the chance of detecting and responding to unethical conduct in a timely manner. Corrective action may involve rewarding employees who comply with company policies and standards and punishing those who do not. If the firm fails to take corrective action against unethical or illegal behavior, the inappropriate behavior is likely to continue.

14.8.1 Functional Ethics or Compliance Program

The ethics officer is usually responsible for implementing all disciplinary actions for violations of the firm's ethical standards. Many companies are including ethical compliance in employee performance appraisals. Efforts to deter unethical behavior are important for companies' long-term relationships with their employees, customers, and community. If the code of ethics is aggressively enforced and becomes part of the corporate culture, it can

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effectively improve ethical behavior within the organisation. If a code is not properly enforced, it becomes mere window dressing and will accomplish little toward improving ethical behavior and decisions.

14.8.2 Putting Ethical Design into Practice

A leader designing an ethical culture should try to create contexts that keep ethical principles top of mind, reward ethics through formal and informal incentives and opportunities, and weave ethics into day-to-day behavior. Precisely how this is achieved will vary among organisations.

14.9 SUMMARY

Ethics are defined as a set of values and principles that guide a person in decision making as well as in their daily activities. An organisational code of ethics refers to the principles and values that govern the actions, decisions, policies, and programs. Ideally, organisations and corporations are continually viewed as moral agents tasked with the responsibility of providing proper conduct to the company's stakeholders ("Good Governance Program", 2004). In effect, it is imperative that businesses operate under specific laws and regulations to ensure that the employees of the company are guided on how to react and manage ethical issues, as well as understand the formal restraints in the company's structure. On the other hand, it is also necessary that the managers of the company can determine the goals they seek to meet when they design an organisational ethics program. Among the key attributes of such a program is that it should be action-oriented, specific, timely and relevant ("Good Governance Program", 2004). Ideally, a good program is one that can achieve the desired organisational outcomes, as well as blend well with the needs of the organisation. Therefore,

14.10 SELF-ASSESSMENT QUESTIONS

1. What are core values of organisational ethics?

2. Explain principles of organisational ethics.

3. Explain steps involved in developing an ethics training program for employees.

4. Define code of conduct.

5. Elaborate ethical training program.

6. Describe a system to monitor and enforce ethical standards.

7. Define functional ethics or compliance programs.

8. What are eight elements of an ethical organisation?

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UNIT 15: THE ETHICS AUDIT

UNIT FRAMEWORK

15.1   PURPOSE

- To describe ethics audit and importance of ethic audit

- To explain the international business and ethics audit

- To elaborate the step to audit and monitor to ethical culture

- To describe types of an ethical audit

- To explain scope of an ethical audit

- To elaborate the auditing process and audit of corporate administration in India

15.2   INTRODUCTION

Ethics audit refers to an audit conducted in order to adjudge whether the organisation is following the code of conduct goals and values that it has set for

itself in the social sphere. It measures the culture and behaviour of an organisation, and determines the extent to which its values are embedded across its people and processes. Common parameters which may be evaluated in an ethics audit include job satisfaction, awareness of the organisation's policy on equality and diversity, contribution towards the society, whether the processes of the organisation follow ethical standards set by the society etc.

Assessing the outcomes and achievements of corporate social responsibility in order to improve future outcomes is an example of ethics audit. Another example is performance related to the company's policies on whistleblowers and grievance redress. Recent high-profile corporate collapses, such as Enron and WorldCom, have brought into question the status and credibility of the accounting profession, especially auditors, "with allegations of accountants' violations of public trust". Auditing standards require the auditor to verify that the information provided in the operational and financial review is consistent with the audit report and the other information contained in the annual report. Ethical auditing is a process which measures the internal and external consistency of an organisation's values base. The key points are that it is value-linked, and that it incorporates a stakeholder approach.

15.3 IMPORTANCE OF ETHIC AUDIT

It is intended for accountability and transparency towards stakeholders. It is intended for internal control, to meet the ethical objectives of the organisation. The value of the ethical audit is that it enables the company to see itself through a variety of lenses: it captures the company's ethical profile. Companies recognised the importance of their financial profile for their investors, of their service profile for their customers, and of their profile as an employer for their current and potential employees. An ethical profile brings together all of the factors which affect a company's reputation, by examining the way in which it does business. By taking a picture of the value system at a given point in time, it can:

- clarify the actual values to which the company operates
- provide a baseline by which to measure future improvement and learn how to meet any societal expectations which are not currently being met.
- give stakeholders the opportunity to clarify their expectations of the company's behaviour
- identify specific problem areas within the company
- learn about the issues which motivate employees
- identify general areas of vulnerability, particularly related to lack of openness

In relation to the specific factors of the ethical environment, studies on codes of ethics have dominated the ethical accounting and auditing literature. Codes of

ethics are important since they implicitly set limits for unethical behaviour and are intended to offer guidance in ambiguous situations.

15.4 INTERNATIONAL BUSINESS AND ETHICS AUDIT

Recent corporate collapses around the world show that there are no national boundaries for these occurrences. Australian corporate collapses including HIH Insurance, One.Tel, Ansett Australia and Harris Scarfe have raised public expectations of investigation of the causes of collapse. The main reason for the collapse of HIH was mismanagement with an emphasis more on the directors' personal qualities such as integrity, honesty and morality rather than tougher legislation and rules.

The worldwide practice of internal auditing is subject to diverse cultural, legal and economic environments. While the Institute of Internal Auditors Standards is generic and provides a unifying mechanism for enhancing continuity and consistency across diverse legal and economic environments, research suggests that cultural, legal and economic differences influence the development of internal auditing systems in various countries. Since the promulgation of the Standards, internal auditors worldwide have had the opportunity to standardise internal audit practice.

Multinational companies face special issues in relation to ethical auditing. It is, though, precisely these special issues which can make ethical auditing so valuable to multinationals. Executives of such companies are well aware of the added complications which operating across a number of cultures brings. But problems tend to multiply when differing value bases are permitted to take hold within different cultures.

One of the issues which most concerns multinationals is that of corruption. How to conduct business in countries where backhanders are a regular occurrence? Working practices and human rights are other major areas of concern. Some companies make a principled withdrawal from countries where they could otherwise manufacture profitably, because they are not prepared to work within that regime, as Levi Strauss did in China. Protests from outraged consumers may force companies manufacturing in India or Thailand to sack the underage children they were previously employing as machinists.

Companies alone cannot right all the evils of society. Many of the decisions they have to take have no ideally right or ideally good answer. What matters are that they should have a clearly thought out framework of values and that these values should be consistent wherever they operate. A multinational company must test its values across all its areas of operation, if it wants the findings of its ethical audit to be comprehensive and provide the greatest payback in terms of identifying potential areas of vulnerability to consumer pressure.

The fundamental positioning of the role of internal auditors, it is contended, creates a challenge to their ability to function with independence. First, consider the inherent presence of role conflict. The role of internal auditors in providing audit oversight for their organisation together with consulting services to management can cause an ongoing conflict. In their audit role, internal auditors must remain independent of management by not subordinating their judgment to management in audit matters. But in their consultative role, they must collaborate with and support management, including accepting the judgment of the audit committee of the board of directors.

15.4.1 Consumer Perception of Ethics

Consumer power is increasingly having an effect on company behaviour. The boycott mechanism has long been a way of protesting politically; for many years, a significant number of consumers avoided buying South African produce. But now boycotts are called to protest against specific company actions: Nestlé's sales suffered from the boycott protesting about their policy on selling baby milk in the third world.

Pressure groups are growing more professional. Where in the past unethical behaviour by a company might have been kept quiet by skilled public relations people, there is now greater likelihood that someone within a company will alert the relevant pressure group (loyalty to employers being lessened, and concern for the public good being greater) and that the pressure group will succeed in generating significant publicity about the incident.

One of the greatest benefits of the ethical audit is that it assists the company to scan the environment to identify the issues which are most likely to provoke action by pressure groups, and in turn gives the company the opportunity to encourage such groups to participate in the decision making process, or at the very least to inform them fully of the company's position.

In the move to total quality, suppliers become key stakeholders. The quality of components or raw materials used is crucial. Their timely delivery is crucial. Their reliability is crucial. The best suppliers want to develop long term relationships with customers whom they can trust to deal fairly with them and to pay on time.

The picture which develops here is of a company at the centre of a network of relationships with employees, with customers, with shareholders, with society at large. Each company may have other groups of people whom it considers to be key stakeholders for example; a company with particular environmental concerns may consider future generations to be key stakeholders: other companies may see their retired employees as being important, while still others may have strong links with pressure groups and voluntary organisations.

A New York state audit report released in March 2007 describes how one former assistant superintendent for business was indicted by a grand jury and charged with 20 criminal counts including receiving bribes, defrauding the government, theft of service and official misconduct.

Therefore, ethical auditing enables companies to better comprehend these relationships. All relationships are based on values such as trust and an expectation of fair dealing. Understanding these dynamics and finding out where expectations and perceptions differ give a company a head start on maintaining strong and stable relationships.

15.5. STEP TO AUDIT AND MONITOR TO ETHICAL

CULTURE

- **Step 1. Company Values**

An organisation should have clearly stated values to establish its culture of ethics and compliance. Values that shape a company's ethical culture through daily work practice could include: integrity, respect, diversity, safety, conscientiousness, creativity, and more. For instance, safety is our company's number one value. It might not seem an obvious choice, but our people work in nuclear plants, manufacturing, and construction worksites that may contain dangerous hazards. Thus, we've made safety a top value that is fundamental to our ethics programs and prioritised in our peoples' everyday work practices.

- **Step 2. Code of Ethics and Code of Conduct**

The values chosen in Step 1 should be incorporated into the organisation's code of ethics. Our guidelines are about behavior and principles to govern decision-making and the code of conduct, which applies the code of ethics to a range of situations and actions. Both documents should also include high-level guidelines regarding ethics and compliance risk areas. For the code of conduct to be effective at guiding everyday work practices, it should give direction to employees on applying the code of ethics to specific issues that are important to the company. For example, if an employee is working in a foreign country, the code of conduct should provide guidance on complying with the Foreign Corrupt Practices Act rules regarding gifts, gratuities, and entertainment.

Of course, having a formal code of conduct doesn't guarantee real-world compliance. A code of conduct audit will assess whether the code of ethics and code of conduct that exists in paper form is understood and internalised by employees in their lived experience. Internal audit should ensure the code of conduct is provided to all employees, directors, and agents. Assess what is done to ensure that employees understand the code of conduct and are familiar with its requirements. Internal audit should also assess whether the employee

code of conduct training is effective in ensuring employees understand its requirements.

- **Step 3. Risk Assessment**

Once your company has a code of ethics that employees understand and believe in, the next step is to understand compliance risks as well as risks in the code of conduct guidelines that you provided. To accomplish this, perform a risk assessment to ascertain whether your company is focusing on current business risks as a result of changes in organisations, business practices, and laws and regulations. When preparing each business unit risk assessment for compliance with applicable laws and regulations, be sure to include issues that stem from the code of conduct guidelines such as anti-kickback, anti-bribery, protection of company assets, or harassment issues.

- **Step 4. Ethics and Business Conduct Policies**

An effective ethics and compliance program should include policies and procedures that address the particular risks facing a company. For example, policies and procedures relevant to international trade should address risks related to import and export controls, anti-boycott measures, and money laundering, among others.

An ethics and business conduct policies audit will assess whether employees are aware of, understand, and are following these policies. Internal audit should examine the list of policies to see if high risk areas from the risk assessment and the code of conduct are addressed. For current policies, conduct employee interviews to assess awareness of relevant policies. Ask employees how well they understand their responsibilities in connection with ethics and business conduct policies, naming each policy individually.

If an employee says they are not aware of the company's guidelines on a listed policy, refer them to the relevant section of the code of conduct and the applicable policy. Identify policies with which the majority of the employees were not familiar so that additional training can be provided in these areas.

- **Step 5. Awareness Training Audit**

It is not sufficient for a company simply to have policies in place. There must be a program that trains employees to be aware of relevant ethics and compliance issues. When developing or evaluating a training program, you will want to consider: How is this training delivered to employees? Is it an online program or live sessions? Is the delivery method adequate to reach all employees who must take the ethics and compliance courses? How is one considered to have completed a course? Is there a quiz after a training course with a minimum score requirement?

If a tracking mechanism is used to see the completion status of required courses, what percent of the employees have completed their required courses?

What recourse is taken to follow up with employees who have not completed or passed training?

- **Step 6. Inquiry and Reporting Mechanisms**

It's important that your ethics and compliance program includes a process for employees, suppliers, customers and others who do business with your company to ask questions or report concerns about ethics or violations of laws, regulations, and company policies. To assess the process for investigating concerns reported through mechanisms, such as the company hotline, internal audit should consider the following:

Is there a prioritisation of concerns received based on the severity of the issues raised? Is there a formal protocol for deciding who investigates what? Is there a formal protocol to ensure that all investigations are done using certain guidelines and consistent standards for thoroughness? Were investigations documented in formal reports? Were investigations completed in accordance within the established timeline? Were the investigations thorough enough to reach a conclusion regarding the validity of the concerns? Was there any explanation for actions taken, or not taken, as a result of the concerns received and investigations done? Was ensuing actions taken with appropriate management approvals and consultation with functional experts (e.g. Law, HR)? Were the callers made aware of the results of the investigations?

- **Step 7. Communication Program**

Develop a communication plan to increase ethics awareness and remind employees that ethics and compliance are important to the company. The most effective communication programs should engage all audiences with specific messages about ethics using a variety of media. Effective communication program components include:

Separate pages on ethics and compliance in the company's internal and external websites. Internal ethics are blogs from senior executives to help set the tone from the top. Incorporate a variety of messages, short videos, and Q&A about ethics issues in the company's newsletter.

Ethics posters with the toll-free hotline number and ethics officer contact information should be displayed prominently at locations where employees gather frequently. Posters should clearly state that concerns can be reported anonymously, and that there will be no retaliation for reporting a concern even if it turns out to be unsubstantiated.

Ensure that the code of ethics, code of conduct, and ethics messages are distributed in all native languages of employees. A strong communication program will keep ethics and compliance top of mind for all employees!

- **Step 8. Ethics and Compliance Program Assessment and Evaluation**

At all points in the process of implementing an ethics and compliance culture, it is important to maintain continuous program evaluation. There should be regular internal and external audits of your ethics program, and an assessment of how often internal controls are tested. Conduct employee surveys and focus groups to assess employee impressions of the ethics and compliance culture. A constant vigilance and program evaluation is necessary to maintain a strong culture of ethics.

- **Step 9. Leadership Commitment**

To achieve and maintain an ethical company culture, there must be strong commitment from the top to create the perception that ethics and compliance is important to the company. Leadership commitment may be the final step in this list, but it is fundamental throughout the previous eight steps that management takes responsibility for demonstrating through their actions the importance of ethics and compliance. There are many ways that organisational structure and activities can demonstrate leadership commitment:

Have the CEO make a statement to formalise your company's commitment to the highest ethical conduct in all aspects of your business. The leader of the Ethics organisation can report directly to the Board of Directors or Chief Executive Officer.

An Ethics and Compliance Committee with a senior executive as Committee Chairman can provide leadership and oversight to the ethics program and review the status of ethics program-related activities. The committee itself might consist of senior leaders from Legal, Human Resources, Internal Audit, Operations, and Communications, Security, IT and other departments.

15.6 TYPES OF AUDIT

We can identify three types of audits namely,

1. Financial statement audit
2. Compliance audit
3. Operational audit.

1. **Financial Statement Audit:** An audit of financial statements is conducted to determine whether the overall financial statements are stated in accordance with specified criteria. The financial statements commonly audited are balance sheet, the income statement, the cash flow statement and the statement of stockholders' responsibility.

2. **Compliance Audit:** The purpose of compliance audit is to determine whether the auditor is following specific procedures, rules or regulations set down by some higher competent authority. A compliance audit is a comprehensive review of an organization's adherence to regulatory guidelines. Audit reports evaluate the strength and thoroughness of compliance

preparations, security policies, user access controls and risk management procedures over the course of a compliance audit.

3.   **Operational Audit:** An operational audit is a review of any part of an organisation's operating procedures. An operational audit refers to the process of evaluating a company's operating activities both on a day-to-day level and a broader scale. Whereas a regular audit evaluates financial statements, an operational audit examines how a company conducts its business, with the aim of increasing overall effectiveness.

15.7 SCOPE OF AN ETHICS AUDIT

This means that any assurance provided around governance needs to take into account ethics. Internal audit needs to audit ethics in order to provide an opinion to the audit committee and senior management on its effectiveness. Benefits of ethics auditing are as follows:

1. Recent accounting scandals and legal and ethical transgressions have encouraged companies to better account for their actions in a wide range of areas, including corporate governance, ethics programs, customer relationships, employee relations, environmental policies, and community involvement.
2. The assessment of the ethical culture of an organisation is necessary to improve ethical performance and to document in legal proceedings that a firm has an effective ethics program.
3. The auditing process can highlight trends, improve organisational learning, and facilitate communication and working relationships.
4. Improved relationships with stakeholders who desire greater transparency.
5. Regular audits permit shareholders and investors to judge whether a firm is achieving the goals that it has established and whether it abides by the values that it has specified as important.

15.8 THE AUDITING PROCESS

There are several auditing processes available. Few of them are as follows:

1. Secure Commitment of Top Managers and Board of Directors: The first step in conducting any audit is securing the commitment of the firm's top management and, if it is a public corporation, its board of directors. Pressure for an audit can also come from top managers who are looking for ways to track and improve ethical performance and perhaps give their firm an advantage over competitors that are facing questions about their ethical conduct.

2. Establish a Committee: To Oversee the Ethics Audit Ideally, the board of directors' financial audit committee would oversee the ethics audit, but this is

not the case in most companies. In most firms, managers or ethics officers, who do not always report to the board of directors, conduct social and ethics auditing. This team should include members who are knowledgeable about the nature and role of ethics audits and come from various departments within the firm.

3. Define the Scope of the Audit Process: The ethics audit committee should establish the scope of the audit and monitor its progress to ensure that it stays on track. This scope depends on the type of business, the risks faced by the firm, and the opportunities available to manage ethics. Assessments can be made on the basis of direct consultation, observation, surveys, or focus groups.

4. Review Organisational Mission: Values, Goals, and Policies and Define Ethical Priorities Because ethics audits generally involve comparing an organisation's ethical performance to its goals, values, and policies, the audit process should include a review of the current mission statement and strategic objectives. This review step should examine all formal documents that make explicit commitments to ethical, legal, or social responsibility, as well as less formal documents, including marketing materials, workplace policies, and ethics policies and standards for suppliers or vendors. It is also important to examine all of the firm's policies and practices with respect to the specific areas covered by the audit. At some point, the firm must demonstrate action-oriented responsiveness to those ethics issues it has given top priority.

5. Collect and Analyse Relevant Information: Identify the tools or methods for measuring the firm's progress in improving employees' ethical decisions and conduct. The firm should collect relevant information for each designated subject matter area. Some techniques for collecting evidence might involve examining both internal and external documents, observing the data-collection process (such as by consulting with stakeholders), and confirming information in the organisation's accounting records. Because integrating stakeholder feedback in the ethics audit process is so crucial, these stakeholders must first be defined and then interviewed during the data-collection stage.

6. Verify the Results has an independent party: Such as a social/ethics audit consultant, a financial accounting firm that offers social auditing services, or a nonprofit special interest group with auditing experience ,verify the results of the data analysis. Although the independent validation of ethics audits is not required, an increasing number of companies are choosing to do so, much as they have their financial reports certified by a reputable auditing firm. The process of verifying the results of an audit should involve standard procedures that control the reliability and validity of the information.

7. Report the Findings: This involves reporting the audit findings through a formal report to the relevant internal parties namely, the board of directors and top executives and, if approved, to external stakeholders. The strategic

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importance of ethics auditing is that the ethics audit, like the financial audit, should be conducted regularly rather than in response to problems involving or questions about a firm's priorities and conduct. The ethics audit provides an assessment of a company's overall ethical performance as compared to its core values, ethics policy, internal operating practices, management systems, and, most important, key stakeholders' expectations. Most managers view profitability and ethics and social responsibility as a trade-off. This "either/or" mindset prevents them from taking a more proactive "both/and" approach.

15.9 AUDIT OF CORPORATE ADMINISTRATION IN INDIA

The thought of corporate administration has been incepted with a significant goal of noteworthy exposure of data to the investors. From that point forward, corporate administration has directed the Indian organisations. As time changed, there was an additional requirement for more noteworthy responsibility of organisations to their investors and clients. The report of the Cadbury Committee on the money related parts of corporate Governance in the U.K. has offered an insight into the conversation of Corporate Governance in India. Corporate administration has been since days of yore yet it was in various structures. During Vedic occasions, rulers used to have their clergymen and used to have morals, qualities, standards and laws to run their state yet today it is in the structure corporate administration having same guidelines, laws, morals, qualities, and ethics which helps in running corporate bodies in the more powerful manners with the goal that they in the time of globalisation become worldwide monsters.

There have been various corporate administration activities propelled in India since the mid-1990s. The first was by the Confederation of Indian Industry (CII), India's significant industry and business affiliation, which developed with the principal intentional code of corporate administration in 1998. The second was by the SEBI, presently revered as Clause 49 of the posting understanding. SEBI in 2000 presented unrivalled corporate administration changes by means of Clause 49 of the Listing Agreement of Stock Exchanges. Proviso 49, an original occasion in Indian corporate administration, built up various administration necessities for recorded organisations with an attention on the job and structure of corporate sheets, inner controls and revelation to investors. The third was the Naresh Chandra Committee, which presented its report in 2002. The fourth was again by SEBI the Narayana Murthy Committee, which likewise presented its report in 2002.

India's corporate administration change endeavors didn't stop after the execution of Clause 49. In January 2009, the Indian corporate network was shocked by gigantic bookkeeping outrage including Satyam Computer Services (Satyam), one of India's biggest data innovation organisations. Because of the

outrage, Indian controllers and industry bunches have advanced various corporate administration changes to address a portion of the worries raised by the Satyam embarrassment. A portion of these reactions has pushed ahead, primarily through the presentation of willful rules by both open and private foundations. By and large, India's corporate administration change endeavors mirror the accompanying:

Huge industry contribution is in helping the administration by making corporate administration measures. Generous concentration to improve the capacity and structure of organisation sheets, including (I) accentuation on the freedom of the governing body, and (ii) an expanded job for review boards of trustees. Critical increment is in divulgence to open investors.

A few Indian Companies, for example, PepsiCo, Infuses, Tata, Wipro, TCS, and Reliance are a portion of the worldwide mammoths which have their banner of accomplishment flying high in the sky because of good corporate administration.

15.10 SUMMARY

The findings of the audit give a snapshot, a view at a particular point in time, of the company's ethics. In the case of a first audit, they will necessarily be of less value for comparison purposes than future audits, but they ought to give a clear picture of both values and vulnerabilities. An audit report is a factual document. Obviously it reaches a judgment but it is not intended to be judgmental, in the sense of condemning a company for moral failure. Ethical audit is very far removed from the original social audits which were carried out on companies in the 21st Century. These were undertaken by outsiders critical of company behaviour, who were seeking ammunition to bring external pressure on the company to change.

I believe that ethical audit will have particular benefits for multinational companies, but it could also be of great value in take-over and merger situations, especially ones which involve partners from different countries where there may be conflicting value systems. Other benefits include enhanced corporate reputation, making the company fraud resistant, and improving staff morale and motivation. The technology of ethical auditing is still in its infancy. The full payback is not yet known. Values are the basis of all organisational behaviour, and focusing on values will enable management to create an organisation which is excellent in every possible sense.

15.11 SELF-ASSESSMENT QUESTIONS

1. Define ethic audit.
2. What are various types of an ethical audit?

3. Explain process of ethical auditing.

4. Explain significance of corporate administration.

5. What are various steps to audit and monitor ethical culture?

6. Explain Scope of an ethical audit.

7. Elaborate concept of Ethical Crisis Management and Recovery.

8. What are various significant issues in corporate Administration?

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**Business Ethics &
Corporate Governance**

Uttar Pradesh Rajarshi Tondon
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Block
5

Block 5 - Business Ethics In A Global Economy

PEPE-052 / ETH-093 /ETH-106

PEPE-052 / ETH-093 /ETH-106

BLOCK 1: BUSINESS ETHICS IN A GLOBAL ECONOMY

In **Block 5** you would have learned about the ethical perceptions and international business, global values, corporate governance: accountability issues, board objectives and strategies and accounting standards & accounting disclosures.

Unit 16 discusses the ethical perceptions and international business, moral perception, ethics and compliance programs, need of ethics, facets of business ethics, international business, the challenges and considerations of international business, inquisitive about international business and international trade theory.

Unit 17 explains the global values, the multinational corporation and various ethical issues, the moral dilemmas of globalisation, multinational organisations and their relationships, and cross cultural, cross religion & cross racial issues.

Unit 18 deals with corporate governance: historical perspective and the need for corporate governance, accountability issues and standards of corporate governance, corporate governance framework in India and issues in corporate governance in India.

Unit19 deals with board: objectives and strategies; role of the board of directors in corporate governance, performance evaluation of board; training and development of directors.

Unit 20 explains the accounting standards & accounting disclosures, bookkeeping records, yearly records, corporate governance framework in India, administrative system on corporate administration, key lawful system for corporate administration in India, annual accounts and accounting standards.

UNIT 16: ETHICAL PERCEPTIONS & INTERNATIONAL BUSINESS

UNIT FRAMEWORK

16.1 PURPOSE

After completing this unit you will be able to understand following topics:

- To explore the moral perception and ethics and compliance programs

- To determine the need of ethics and facets of business ethics

- To elaborate international business and the growth of international business

- To explore the challenges and considerations of international business

- To explain the inquisitive about international business and international trade theory

16.2 INTRODUCTION

Ethics is the department of metaphysics that meditates the luminosity and behavior of a one. Value contemplation of a hypostasis is a manner to shape his overbearing and counteract posture towards animation. Ethics ponder concepts resembling useful and vicious, irresponsibleness and upright and incorrect. Ethics can be illustrious in three categories: prescriptive hedonics, definitive

hedonics and met ethics. On the test of whole truths, ethical judgments, and the goal of ethical limit, met ethics vocals. Normative eudemonism can be interesting to methodist the upright and unsuitable behavior of individuals. Descriptive morals, also warn devote moral philosophy, is custom to respect polemical upshot, such as miscarriage, beast rightful, leading beating and nuclear enmity.

16.3 MORAL PERCEPTION

It may be a term utilised in ethics and moral psychology to denote the discernment of the morally salient qualities, especially situations. Moral perceptions are argued to be necessary to moral reasoning, the deliberation of what's the proper thing to try too. Moral perception is variously conceptualised by Aristotle, Arendt, and Martha C. Nussbaum. The separation from moral perception to moral judgment was made by Lawrence Blum (1994). Whereas a person's judgment about what the moral course of action would be is the result of conscious deliberation, the basis for that process is the perception of aspects of one's situation, which is different for each person. Moral perceptions are also particular in nature.

16.4 ETHICS AND COMPLIANCE PROGRAMS

Ethical components of company culture include: "management's trustworthiness, whether managers in the lowest levels mention ethics and model appropriate behavior, the extent to which employees value and support ethical conduct, accountability and transparency." Thirty percent of companies in 2019 had weak ethical cultures. Companies can reduce ethics risks by investing in a strong ethics and compliance program: "86% of companies with a well implemented ethics and compliance program even have a robust ethics culture."

Every economic call and establishment should be judged within the lightweight of whether or not it protects or undermines the dignity of the human person.-Economic Justice for All. The nationalist leader philosophy supported the social responsibility of all the individuals regarding ethics is far acceptable. Gandhi believed that:

1. Accumulation of wealth is immoral.

2. Richest gifts should be destroyed while not compensation and hesitation if they hinder ethical progress.

3. Moral behavior is mirrored in character supported honesty, integrity and honesties, and

4. While not character, there's no cooperative effort whether or not in business or in the other activity.

Ethics is that the ethical code of human behavior in an exceedingly given profession or cluster performs. Business ethics in an exceeding sense verify a corporation as a subject and member of the society and are formed from what's virtuously right. It's humanising the enterprise by incorporating non-economic ethical problems within the economic cloth of the organisation that is being respectful to the society.

Ethics, in keeping with Hindu Vivekananda, can't be derived from the mere sanction to any personage. Some eternal principle of truth has the sanction of ethics. In keeping with him, the elemental themes of ethics and morality suggest: don't injure others, love everybody as your own-self as a result of the full universe is one. The people create one completely different from all different things and beings. This distinction creates all styles of hate, jealousy, misery, struggle and every one different evil through a spell of sacrifice, individuals transcend to a height of divinity that creates one as nice as making him wanting to sacrifice life even for a touch insect.

16.4.1   Ethics and Areas of Ethical Theory

Ethics derives from the Greek word ethos meaning "character" and is additionally known as ethics, which may be a branch of philosophy that involves "systematising, defending and recommending concepts of right and wrong conduct." Ethics involves understanding the differences between right and wrong thinking and actions, and using principled deciding to settle on actions that do not hurt others. Although intuition and creativity are often involved in having to make a decision between what looks like two "wrong" or less desirable choices in a dilemma where there are no easy alternatives, using ethical principles to inform our thinking before acting hastily may reduce the negative consequences of our actions. Classic ethical principles are presented in more detail in the next chapter, but by way of an introduction, the following three general areas constitute a framework for understanding ethical theories: Meta ethics, normative ethics, and descriptive ethics.

1. Meta ethics considers where one's ethical principles "come from, and what they mean." Do one's ethical beliefs come from what society has prescribed? Did our parents, family, religious institutions influence and shape our ethical beliefs? Are our principles part of our emotions and attitudes? Meta ethical

perspectives address these questions and focus on issues of universal truths, the will of God, the role of reason in ethical judgments, and therefore the meaning of ethical terms themselves. More practically, if we are studying a case or observing an event in the news, we can inquire about what and where a particular CEO's or professional's ethical principles (or lack thereof) are and where in his/her life and work history these beliefs were adopted.

2. Normative ethics is more practical; this sort of ethics involves prescribing and evaluating ethical behaviors. What should be done in the future? We can inquire about specific moral standards that govern and influence right from wrong conduct and behaviors. Normative ethics also deals with what habits we need to develop, what duties and responsibilities we should follow, and the consequences of our behavior and its effects on others. Again, in a business or organisational context, we observe and address ethical problems and issues with individuals, teams, leaders and address ways of preventing and/or solving ethical dilemmas and problems.

3. Descriptive ethics involves the examination of other people's beliefs and principles. It also relates to presenting, describing but not interpreting or evaluating facts, events, and ethical actions in specific situations and places. In any context, organisational, relationship, or business, our aim here is to understand, not predict, judge, or solve an ethical or unethical behavior or action. Learning to think, reason, and act ethically helps us to become aware of and recognise potential ethical problems. Then we can evaluate values, assumptions, and judgments regarding the problem before we act. Ultimately, ethical principles alone cannot answer what the late theologian Paul Tillich called "the courage to be" in serious ethical dilemmas or crises. We can also learn from business case studies, role playing, and discussions on how our actions affect others in different situations. Acting accountability and responsibility is still a choice.

16.5 NEED OF ETHICS

In the gift world having severe and all-pervasive deterioration of values, practices of hypocrisy in pursuit of self-interest, corruption, egoism, violence and pursuit of fabric wealth is rife all over. Most are in a wild race to amass additional and additional, principally by crosscut means that. There's without stopping of want. any criminalisation of the broken polity, nexus with the underworld dons, unethical exploitation of faith, corruption, the prevalence of act of terrorism and union aggressiveness area unit tips to the burning would like of steering a value-based course to the present cause and result syndrome'. it's a difficult and uphill journey for people, organisations, nations associated is maybe the last chance for heralding an era of world peace and harmony, instead of leading to a 3rd warfare or mass scale annihilation. It is during this

context that values and ethics have significance. Ethics area unit required to business for many reasons as explicit below:

1. **Ethics corresponds to basic human needs:** it's somebody's attribute that man needs to be ethical; not solely in his non-public life however conjointly in his business affairs wherever, being a manager, he is aware that his choices could have an effect on the lives of thousands of staff. Moreover, most of the people need to be a part of a corporation that they'll respect and be publically proud of as a result if they understand its purpose and activities to be honest and useful to society. Most prime managers would really like to retort to the current world of their staff and that they themselves feel associate equal got to be genuinely pleased with the corporate, they're directional. These basic-ethical desires compel the organisations to be ethically headed.

2. **Ethics produce quality with the general public:** an organisation perceived by the public to be ethically and socially responsive are honored and revered even by those that haven't any intimate information of its actual operation. There'll be associated self-generated prejudice in favor of its merchandise since individuals believe that the corporate offers are worth cash. Its public issue can attract an instantaneous response.

3. **Ethics provide management quality with employees:** Values area unit supported to be a standard language to bring leaderships and its individuals along. Structure ethics, once perceived by staff as real, produce common goals, values and language. The management has quality with its staff exactly as a result of its quality with the general public, neither sound business strategy nor a generous compensation policy and fringe edges.

4. **Ethics facilitate higher call making:** Another purpose of nice importance is that associate moral perspective helps the management create higher choices, i.echoices that are unit within the interest of the general public, their staff and also the company's own future goal albeit deciding is slower. This can be therefore as a result of respect for ethics can force the management to require varied aspects like economic, social and moral thought in creating choices.

5. **Ethics and profits:** Ethics and profits go along. An organisation that is galvanised by moral conduct is additionally a profitable one. Value-driven firm's area unit is absolutely to achieve success within the long-standing time although within the short run they will lose cash.

6. **Law cannot defend society, ethics can:** Ethics is vital as a result of the govt., law and lawyers cannot do everything to guard society. Technology develops quicker than the government will regulate. Individuals in an

exceedingly trade usually recognise the hazards in an explicit technology higher than the regulative agencies. Further, the govt. cannot continually regulate all activities that are harmful to society. Wherever the law fails, ethics will succeed. Ethically-oriented management takes measures to stop pollution and protection of workers' health even before being mandated by law.

16.6 FACETS OF BUSINESS ETHICS

Business ethics isn't involved simply with not bribing to urge things done. In alternative words, a bourgeois doesn't become moral just by not accepting or providing bribes. That might be a too restrictive and slender read of what essence is applicable to each human act. Business ethics covers the complete quantity of activities, together with quality, keeping to guarantees, transparency in coverage of monetary performance, not avoiding taxes, and so on. We tend to concisely check out six of those areas well.

1. **Hawking poor quality products:** This has to be compelled to be against any businessman's 'dharma'. It's the duty of each bourgeois to confirm that he provides products of the very best quality to his customers. The pursuit of quality through TQM and TPM and regardless of the technique may be a lifespan engagement. There aren't any permanent benchmarks. One has to surpass all benchmarks and break records set by one-self, as way as quality cares.

2. **Keeping promises:** this can be one thing that's essential for survival in any business. It might be guarantees created to customers, workers or contractors. It's within the enlightened self-interest of entrepreneurs to honor the guarantees they create, as a result of business is made on trust associate degreed relationships which is able to get scoured the instant an bourgeois is seen lacking in integrity and honesty. In today's outsourcing surroundings, this acquires nice importance.

3. **Window dressing:** Firms resorting to window dressing to draw in investments and people fudging the record to cheat the staff of their rightful entitlements, whether or not bonus or excreta payments are humoring in unethical practices the maximum amount as an individual World Health Organisation sells debased foods and medicines. Gift customers would like transparency in business concern's money statements.

4. **Above traditional Profits:** This can be one thing expensive to monopolies and principally tried by short run and fly by night operations. For the long-term, it's essential that we tend to share the advantages with all those that are a part of the business. If we tend to squeeze the suppliers an excessive amount of, we are able to be disillusioned during a vital state of affairs. An

equivalent is true with customers and conjointly with workers. The target of a business isn't simply to maximise the shareholder's values, but rather to deliver a balanced price during a manner that edges all the stockholders and society. Milking the purchasers will offer edges within the short run. However, you can find yourself destroying the connection engineered over a protracted amount of your time. Relationships are more precious than short term profits. Many studies within the U.S.A. report that it prices six fold the maximum amount to develop a brand new client because it will sell to an associate degree existing one.

5. **Compliance with laws and statutes:** To be an honest clean and company subject within the country within which the business operates, may be an ethical duty for any business. Laws require thievery, enforce contracts, set limits to advertising and reinforce several alternative ethical norms. Flouting or circumventing law is typically seen as a wise factor to try to; however within the long haul it's not the proper policy. We tend to conjointly bear in mind that what's moral needn't invariably be coated by law. Typically the law underscores solely the non-negotiable minimum.

6. **Concern for the native community:** Within the space, within which your factories and offices are set, it pays to develop a harmonious relationship with the area {people local people} aside from providing employment to native people and additionally, each company will contribute to some social cause. A number of organisations have instilled such a way of purpose into their workers that it's become a reason why they exist. They need to remodel noble and lofty sentiments into a sincere response from their workers, customers and stakeholders. Currently organisations like Microsoft, Infosys, and GE etc. are stepping with work by providing funds.

One clear differentiation within the public mind between one company and another may be a company's civic and moral character. The interface between the corporation and society is currently abundant faceted and extremely complicated technology, deregulating, fast communication and therefore the power of size and scope, all build businesses subject to international pressures. Standards do take issue between countries on what's acceptable in business conduct. It is well known that Japanese countries, in theory, tolerate a higher level of speed, cash, commissions, and favours than the rest of the world.

Being moral, a business after all can't be achieved by one person alone. Nevertheless the leader, the CEO, has the duty to spell out what the organisations signify, its beliefs, values and what it'll and what's going to not settle for. The leader should begin by being unyielding in being an honest law lasting subject himself and build it clear that he proposes to guide an organisation that behaves as an honest company subject.

16.7 INTERNATIONAL BUSINESS

International business encompasses all commercial activities that occur to push the transfer of products, services, resources, people, ideas, and technologies across national boundaries. The study of international business involves understanding the consequences that the above activities wear on domestic and foreign markets, countries, governments, companies, and individuals. Successful international businesses recognise the variety of the planet marketplace and are ready to address the uncertainties and risks of doing business during a continually changing global market. An international businesses strategy, organisation, and/or functional decisions categorise it as:

- A multidomestic company with independent subsidiaries that act as domestic firms; OR
- Global operations with integrated subsidiaries;
- OR A combination of the above two.

The challenging aspect of international business, however, is that a lot of firms combine aspects of both multidomestic and global operations:

1. **Multi-domestic**: A strategic business model that involves promoting products and services in various markets round the world and adapting the product/service to the cultural norms, taste preferences and spiritual customs of the varied markets.

2. **Multinational**: A business strategy that involves selling products and services in several foreign markets without changing the characteristics of the product/service to accommodate the cultural norms or customs of the varied markets. The benefits of international business are the concept of comparative advantage. Participation in international business allows countries to require their comparative advantage.

The concept of comparative advantage means a nation has a bonus over other nations in terms of access to affordable land, resources, labor, and capital. In other words, a rustic will export those products or services that utilise abundant factors of production. Further, companies with sufficient capital may seek another country that's abundant in land or labor, or companies may seek to take a position internationally when their home market becomes saturated. Participation in international business allows countries to require the advantage of specialised expertise and abundant factors of production to deliver goods and services into the international marketplace. This has the good thing about increasing the range of products and services available within the marketplace. International business also increases competition in domestic markets and introduces new opportunities to foreign markets. Global competition encourages companies to become more innovative and efficient in their use of resources. For consumers, international business introduces them to a range of products and services. For many, it enhances their standard of living and

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increases their exposure to new ideas, devices, products, services, and technologies.

16.8 THE GROWTH OF INTERNATIONAL BUSINESS

The prevalence of international business has increased significantly during the last part of the 20th century, because of the liberalisation of trade and investment and therefore the development of technology. A number of the numerous elements that have advanced international business include:

- The formation of the globe Trade Organisation (WTO) in 1995

- The inception of electronic funds transfers

- Technological innovation that facilitates global communication and transportation

- The dissolution of a variety of communist markets, thus opening up many economies to non-public business.

Today, global competition affects nearly every company regardless of size. Many source suppliers from foreign countries and still more compete against products or services that originate abroad. International business remains a broad concept that encompasses the littlest companies which will only export or import with one other country, yet because the largest global firms with integrated operations and strategic alliances round the globe.

16.9 THE CHALLENGES AND CONSIDERATIONS OF INTERNATIONAL BUSINESS

Because nation-states have unique government systems, laws and regulations, taxes, duties, currencies, cultures, practices, etc. international business is decidedly more complex that business that operates exclusively in domestic markets. The major task of international business involves understanding the sheer size of the worldwide marketplace. There are currently over 200 national markets within the world, presenting a seemingly endless supply of international business opportunities. However, the range between nations presents unique considerations and a plethora of hurdles, such as:

- **National wealth disparities:** Wealth disparities among nations remain vast.

- **Regional diversity in step with wealth and population:** North America is home to simply 5 percent of the world's population, yet it controls almost one-third of the world's gross domestic product.

- **Cultural/linguistic diversity:** There are over 10,000 linguistic/cultural groups within the world.

- **Country size and population diversity:** There were about 60 countries at the beginning of the 20th century; by 2000, this number grew to quite 200.

Some of the challenges considered by companies and professionals involved in international business include:

16.9.1   Economic Environment

The economic environment is also very different from one country to the next. The economy of states is also industrialised (developed), emerging (newly industrialising), or less developed (third world). Further, within each of those economies are an unlimited array of variations, which have a serious effect on everything from education and infrastructure to technology and healthcare. A nation's economic structure as a free market, centrally planned market, or mixed market also plays a definite role within the ease at which international business efforts can occur. As an example, free market economies allow international business activities to require place with little interference. On the alternative end of the spectrum, centrally planned economies are government-controlled. Although most countries now function as free-market economies, China, the world's most populous country, remains a centrally planned economy.

16.9.2   Political Atmosphere

The political atmosphere of international business refers to the link between government and business, also because of the political risk of a nation. Therefore, firms concerned in international business should expect to take care of differing types of governments, like multi-party democracies, unilateral states, dictatorships, and constitutional monarchies. Some governments might read foreign businesses as positive, whereas different governments might read them as consumptive. As a result, international firms accept the goodwill of the Govt. International business should take the political structure of the foreign government into thought. International corporations should additionally think about the degree of political risk in a very foreign location; in different words, the chance of major governmental changes happening. Simply a couple of the problems of unstable governments that international firms should think about embody riots, revolutions, war, and act of terrorism. Competitive atmosphere is continually ever-changing in keeping with the economic, political, and cultural environments. Competition might exist from a range of sources, and therefore the nature of competition might change from place to position. It is going to be inspired or discouraged in favor of cooperation, and therefore the relationship between patrons and sellers is also friendly or hostile. The amount of technological innovation is additionally a very important side of the competitive atmosphere as corporations vie for access to the most recent technology. To ensure success in a very foreign market, international

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businesses should perceive the numerous factors that have an effect on the competitive atmosphere and effectively assess their impact. India was mercantilist with totally different nations for quite a while; nonetheless it quickened its progress of incorporating with the planet economy and increasing its foreign trade and investment.

16.10 INTERNATIONAL TRADE THEORY

International trade theories are simply different theories to elucidate international trade. Trade is the concept of exchanging goods and services between two people or entities. International trade is then the concept of this exchange between people or entities in two different countries. People or entities trade because they believe that they enjoy the exchange. They may need or want the products or services. While at the surface, this may sound very simple, there's an excellent deal of theory, policy, and business strategy that constitutes international trade.

DIFFERENT INTERNATIONAL TRADE THEORIES: "Around 5,200 years ago, Uruk, in southern Mesopotamia, was probably the primary city the planet had ever seen, housing quite 50,000 people within its six miles of wall. Uruk, its agriculture made prosperous by sophisticated irrigation canals, was home to the primary class of middlemen, trade intermediaries. A cooperative trade network set the pattern that might endure for the next 6,000 years." Matt Ridley, "Humans: Why They Triumphed," Wall Street Journal, May 22, 2010, accessed December 20, 2010.

In more recent centuries, economists have focused on trying to know and explain these trade patterns. Chapter 1 "Introduction", Section 1.4 "The Globalisation Debate" discussed how Thomas Friedman's flat-world approach segments history into three stages: Globalisation 1.0 from 1492 to 1800, 2.0 from 1800 to 2000, and 3.0 from 2000 to the present. In Globalisation 1.0, nations dominated global expansion. In Globalisation 2.0, multinational companies ascended and pushed global development. Today, technology drives Globalisation 3.0.

To better understand how modern global trade has evolved, it's important to know how countries traded with each other historically. Over time, economists have developed theories to elucidate the mechanisms of worldwide trade. The main historical theories are called classical and are from the attitude of a rustic or country-based. By the mid-twentieth century, the theories began to shift to elucidate trade from a firm, instead of a rustic, perspective. These theories are mentioned as modern and are firm-based or company-based. Both of these categories, classical and modern, consist of several international theories.

1. **Classical or Country-Based Trade Theories:** Mercantilism Developed within the sixteenth century, mercantilism was one among the earliest efforts to develop a theory. This theory states that a country's wealth is

decided by the quantity of its gold and silver holdings. In its simplest sense, mercantilists believed that a rustic should increase its holdings of gold and silver by promoting exports and discouraging imports. In other words, if people in other countries buy more from you (exports) than they sell to you (imports), then they need to pay you the difference in gold and silver. The objective of each country was to have a trade surplus, or a situation where the value of exports is greater than the value of imports, and to avoid a trade deficit, or a situation where the value of imports is greater than the value of exports.

2. **Absolute Advantage:** In 1776, Adam Smith questioned the leading mercantile theory of the time in The Wealth of Nations. Smith offered a replacement trade theory called absolute advantage, which focused on the power of a rustic to supply an honest person more efficiently than another nation. In a hypothetical two country world, if Country A could produce an honest cheaper or faster (or both) than Country B, then Country A had the advantage and will focus on specialising on producing that good. Similarly, if Country B was better at producing another good, it could potentially specialise in a specific field. By specialisation, countries would generate efficiencies, because their labor pool would become more skilled by doing an equivalent task. Production would also become more efficient, because there would be an incentive to make faster and better production methods to extend the specialisation. Smith's theory reasoned that with increased efficiencies, people in both countries would benefit and trade should be encouraged. His theory stated that a nation's wealth shouldn't be judged by what proportion of gold and silver it had but rather by the living standards of its people.

3. **Comparative Advantage:** The challenge to absolutely the advantage theory was that some countries could also be better at producing both goods and, therefore, have a plus in many areas. In contrast, another country might not have any useful absolute advantages. To answer this challenge, **Ricardo**, an English economist, introduced the idea of comparative advantage in 1817. Ricardo reasoned that albeit Country A had absolutely the advantage within the production of both products, specialisation and trade could still occur between two countries. Comparative advantage occurs when a rustic cannot produce a product more efficiently than the opposite country; however, it can produce that product better and more efficiently than it does other goods. The difference between these two theories is subtle. Comparative advantage focuses on the relative productivity differences, whereas absolute advantage looks at absolute productivity.

4. **Heckscher-Ohlin Theory (Factor Proportions Theory):** The theories of Smith and Ricardo didn't help countries determine which products would provide a country a plus. Both theories assumed that free and open markets would lead countries and producers to work out which goods they might produce more efficiently. Their theory is predicated on a country's production factors, land, labor, and capital, which give the funds for investment in plants and equipment. They determined that the value of any factor or resource was a function of supply and demand. Factors that were in great supply relative to demand would be cheaper; factors in great demand relative to provide would be costlier. Their theory, also called the factor proportions theory, stated that countries would produce and export goods that required resources or factors that were in great supply and, therefore, cheaper production factors. In contrast, countries would import goods that required resources that were briefly supplied, but higher demand. For example, China and India are home to cheap, large pools of labor. Hence these countries became the optimal locations for labor-intensive industries like textiles and garments.

5. **Leontief Contradiction:** In the early Nineteen Fifties, Russian-born yank economic expert Wassily W. Wassily Leontief studied the US economy closely and noted that it was lush within the capital and, therefore, ought to export a lot of capital-intensive products. However, his analysis of victimisation actual knowledge showed the opposite: thus us commercialism a lot of capital-intensive products. Consistent with the issue proportions theory, thus ought to be commercialism labor-intensive products, however instead, it had been really exporting them. His analysis became called the Wassily Leontief contradiction as a result of it had been the reverse of what was expected by the issue proportions theory. Over the decades, several economists have used theories and knowledge to clarify and minimise the impact of contradiction. However, what remains clear is that international trade is advanced and is compact by various and often-changing factors. Trade cannot be explained by showing neatness by one single theory, and a lot of significantly, our understanding of international trade theories continues to evolve.

6. **Modern or Firm-Based Trade Theories:** In distinction to classical, country-based trade theories, the class of recent, firm-based theories emerged when warfare II and was developed in giant half by grad school professors, not economists. The firm-based theories evolved with the expansion of the international company (MNC). The country-based theories couldn't adequately address the growth of either MNCs or Intra-industry trade, that refers to trade between 2 countries of products created within the same trade. As an example, Japan exports Toyota vehicles to

Germany, Deutschland, FRG, European countries and imports Mercedes-Benz cars from Germany. Unlike the country-based theories, firm-based theories incorporate different product and repair factors, as well as complete and client loyalty, technology, and quality, into the understanding of trade flows.

7. **Country Similarity Theory:** Swedish economic expert Steffan Linder developed the country similarity theory in 1961, as he tried to clarify the conception of Intra-industry trade. Linder's theory planned that customers in countries that are within the same or similar stage of development would have similar preferences. During this firm-based theory, Linder instructed that corporations initially turn out for domestic consumption. After they explore exportation, the businesses typically realise that markets that look the same as their domestic one, in terms of client preferences, supply the foremost potential for fulfillment. Linder's country similarity theory then states that the majority exchange factory-made products are going to be between countries with similar per capita incomes, and Intra-industry trade is going to be common. This theory is commonly most helpful in understanding exchange products wherever complete names and merchandise reputations are necessary factors within the buyers' decision-making and buying processes.

8. **Product Life Cycle Theory:** Raymond Vernon, a Harvard grad school faculty member, developed the merchandise life cycle theory within the Sixties. The theory, originating within the field of selling, declared that a product life cycle has 3 distinct stages: (1) new product, (2) maturing product, and (3) standardised product. The speculation assumed that production of the new product can occur fully within the home country of its innovation. It has additionally been accustomed to describe however the private PC (PC) went through its product cycle. The computer was a replacement product within the Nineteen Seventies and developed into a mature product throughout the Eighties and Nineties. Today, the computer is within the standardised product stage, and therefore the majority of the production and production method is finished in affordable countries in Asia and North American nations. The product life cycle theory has been less able to justify current trade patterns wherever innovation and producing occur round the world.

9. **Global Strategic Group Action Theory:** Global strategic group action theory emerged within the Eighties and was supported by the work of economists Paul Krugman and Kelvin Lancaster. Their theory centered on MNCs and their efforts to realise a competitive advantage against different world corporations in their trade. Corporations can encounter world competition in their industries and so as to prosper, they need to develop competitive blessings. The vital ways in which corporations will get a property competitive advantage are referred to as the barriers to entry for that trade. The barriers to entry seek advice from the obstacles a replacement firm could face once an associate attempts to enter into a trade or new market. The barriers to entry that companies could get to optimise include:

- Research and development,
- The possession of holding rights,
- Economies of scale,
- Unique business processes or strategies still have intensive expertise within the trade, and the management of resources or favorable access to raw materials.

10. **Porter's National Competitive Advantage Theory:** In the continued evolution of international trade theories, Michael Porter of Harvard grad school developed a replacement model to clarify national competitive advantage in 1990. Porter's theory declared that a nation's fight in associate degree trade depends on the capability of the trade to initiate and upgrade. His theory centered on explaining why some nations are a lot competitive in certain industries. To clarify his theory, Porter is known for four determinants that he joined along. The four determinants are (1) native market resources and capabilities, (2) native market demand conditions, (3) native suppliers and complementary industries, and (4) native firm characteristics.

16.11 SUMMARY

Trade is the concept of exchanging goods and services between two people or entities. International trade is the concept of this exchange between people or entities in two different countries. While a simplistic definition, the factors that impact trade are complex, and economists throughout the centuries have attempted to interpret trends and factors through the evolution of trade theories. There are two main categories of international trade, classical, country-based and modern, firm-based. Porter's theory states that a nation's competitiveness in an industry depends on the capacity of the industry to innovate and upgrade. He identified four key determinants: (1) local market resources and capabilities (factor conditions), (2) local market demand conditions, (3) local suppliers and complementary industries, and (4) local firm characteristics.

16.12 SELF-ASSESSMENT QUESTIONS

1. What is international trade?

2. Summarise the classical, country-based international trade theories. What are the differences between these theories, and how did the theories evolve?

3. The term 'ethics' defines the standards that bear on right and wrong issues of society.

4. 'Ethics' is the branch of philosophy that is used to study the values and behavior of a person.

5. What are the modern, firm-based international trade theories?

6. Describe how a business may use the trade theories to develop its business strategies. Use Porter's four determinants in your explanation.

7. What is Global Strategic Group Action Theory?

8. Explain Classical or Country-Based Trade Theories.

9. What are the Challenges and Considerations of International Business?

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UNIT 17: GLOBAL VALUES

UNIT FRAMEWORK

17.1 PURPOSE

After completing this unit you will be able to understand following topics:

- To explore the global values

- To determine the multinational corporation and various ethical issues

- To elaborate the moral dilemmas of globalisation

- To explore the multinational organisations and their relationships

- To explain the cross cultural & cross racial issues

17.2 INTRODUCTION

Global ethics could be a new term that has emerged over the past few decades. In an exceptionally short time, it's become established as a recognised space of study: it's a specific approach to moral dilemmas and a few take into account it to be changing into a definite educational discipline instead of a set of different disciplines. This dramatic growth implies that international ethics is an exciting field to be in as a result of those that enter it square measure committed to discussing, and a lot of significantly to seeking solutions to, the foremost pressing up to date moral problems. problems addressed in international ethics embrace the "war on terror", rapscallion states, kid labour, torture, scarce resources, trafficking, migration, temperature change, international trade, medical commercial enterprise, international pandemics, humanitarian intervention so on; the list goes on and on. International ethics isn't solely

topical. These square measure problems we tend to square measure all involved concerning. However additionally necessary we tend to resolve (or fail to resolve) the dilemmas of international / of worldwide ethics can confirm the framework of future global governance. This may form and limit the attainable relationships and opportunities of all international actors; furthermore, choices created currently can have an effect on future generations. This can be true not just for issues of temperature change, wherever our actions currently confirm the atmosphere our youngsters and grandchildren can inherit however additionally for choices concerning what it's acceptable and permissible to try to people in general. As an example, if we tend to put together decide that it's acceptable to torture or to shop for body components then we tend to square measure creating judgments concerning what people in general square measure and these choices can limit and form what's attainable or permissible for future people in general.

17.3 GLOBAL VALUES

The term international ETHIC refers to a group of common ethical values and moral standards that square measure shared by the various faiths and cultures on Earth. These common ethical values and moral standards represent a humane ethic, or, the ethic of humanity. In view of the method of economic process, this ethic of humanity has been termed by the illustrious Roman Catholic theologies and thinker academic Hans Küng because of the "GLOBAL ETHIC". Although the idea of a worldwide ETHIC was initially introduced by academic Hans Küng in 1989 it's, in his own words, "not a brand new invention however solely a brand new discovery" of common principles that square measure as recent as man. There is little question that a globalising world with its tremendous social, ecological and ethical issues desires economic process {of moral} values and ethical standards, in short: a worldwide ETHIC, so as to survive as an area wherever our grandchildren and great-grandchildren will live an honest life.

In fact, already currently and within the past, quite an massive variety of fellow people in general everywhere the planet haven't been ready to live a life in dignity, specifically as a result of people in general are unable to follow the foremost basic rules of humane existence that our non-secular and non-religious traditions have provided for since thousands of years. The GLOBAL ETHIC isn't a brand new faith however a group of common ethical values and moral standards that square measure shared by all faiths and belief systems. While not a basic accord over ethics, any society is vulnerable sooner or later by chaos or authoritarianism. Therefore, there is no property world order while not a worldwide ETHIC.

In the words of academic Hans Küng, "the international ETHIC suggests that neither a worldwide ideology, nor one unified international faith transcends all

existing religions, or a combination of all religions. Humanity is weary of unified ideologies, and in any case, the religions of the planet square measure thus completely different in their views of religion and 'dogmas', their symbols and rites, that a 'unification' of them would be unmeaning a distasteful syncretistic cocktail." Instead, consistent with Hans Küng, "the international ETHIC seeks to figure out what's already common to the religions of the planet currently despite their variations over human conduct, ethical values and basic ethical convictions. In different words, the worldwide ETHIC doesn't scale back the religions to moral reductionism, however it represents the minimum of what the religions of the planet have already got in common currently within the ethical sphere. The worldwide ETHIC isn't directed against anyone, however it invites all, believers and non-believers, to form this ethic on their own and act in accordance with it."

As academic Küng has stressed once more and once more, the worldwide ETHIC "is no substitute for the Torah, the Sermon on the Mount, and the Quran, the Gita, the Discourses of religious mystic or the excerpt of Confucius". Instead, "the international ETHIC is nothing but the mandatory minimum of common values, standards and basic attitudes. In different words: a minimal basic accord about binding values, irrevocable standards and ethical attitudes, which might be thoroughbred by all religions despite their 'dogmatic' variations and which might even be supported by non-believers." The GLOBAL ETHIC was adopted within the sort of the "Declaration Toward a worldwide Ethic" by the Parliament of the World's Religions on four Gregorian calendar months 1993. Thereby, for the primary time in human history, representatives of the various religions and faiths in agreement on a group of common ethical values and moral standards that square measure shared by all of them. Ne'er before within the history of religions had this happened! Herein lays the tremendous significance of the "Declaration Toward a worldwide Ethic" for the longer term of man.

17.4 THE MULTINATIONAL CORPORATION AND VARIOUS ETHICAL ISSUES

"The Gordian knot of international business ethics is made round the vexing question, how should a corporation behave when the standards followed within the host country are less than those followed in the home country?" Since the 1970s, globalisation, deregulation and technological change triggered a rapid expansion of multinational corporations (MNCs) to every corner of the planet. By the year 2000, some 63,000 multinational companies with more than 690,000 foreign affiliates accounted for 25% of world production. These "new Leviathans" became increasingly powerful and nation-states lost their capacity to regulate them. Corporations took advantage of regulatory arbitrage, relocating to low tax jurisdictions and lax regulations on labor and

environment. Multinationals structured global value chains by relocating purchase, sales, and support and product development activities to locations where they could be done better, faster or cheaper.

In domestic business environments, national laws and traditions establish a shared ethical framework on what businesses can and cannot do. A French company operating in France knows that it must suit well-established labour, environmental and governance rules backed by reliable enforcement mechanisms. However, in its overseas operations, the company often faces substandard regulatory frameworks and weak enforcement mechanisms, which present the opportunity of obtaining benefits through practices that, would be unacceptable at home. Many dilemmas arise about the moral legitimacy of capturing such benefits.

The new set of ethical dilemmas that arise in labour standards, marketing practices, environment, corruption and human rights, as companies operate across diverse cultural and legal frameworks. Second, I will review the answers that governments, corporations and civil society actors have developed to assist managers in international decision making. Third, how business ethicists have adapted moral frameworks to address the specific challenges of global business such as libertarianism, utilitarianism, deontology and virtue ethics.

17.5 THE MORAL DILEMMAS OF GLOBALISATION

As companies operate across diverse cultural and legal frameworks, moral dilemmas arise in labor standards, marketing practices, environment, corruption and human rights.

17.5.1 Labour Standards

In the 1960s and 1970s, companies in developed economies began to relocate production facilities and contracting in emerging countries to cut labour costs. Offshoring raised the number of moral dilemmas in the issue of sweatshops. Some argue that sweatshops violate duties of justice because the corporate offers lower pay and dealing conditions to employees within the host country for an equivalent quiet work. Others believe that sweatshops ought to be encouraged because they are a necessary first step for economic development in emerging countries. Child labour is an especially critical issue in such debates. Managers from a Western multinational wouldn't even believe hiring children in their home country since it might be both illegal and offensive to the conscience of the community. In some emerging economies, however, child labour is common and even essential for the subsistence of the child. Does this make hiring children morally acceptable?

Other dilemmas involve differences in worker safety standards. The SS United States was one of the most luxurious cruise ships of the 1950s. In the 1990s, the company decided to have it refurbished which required removing asbestos

from the vessel. Conducting the task under the US strict worker safety norms had a cost of $100 million. The company decided to outsource the job in Turkey, where the cost was only $2 million. Since finally, the Turkish authorities would not allow it for fear that workers would get cancer, the ship was towed to the Russian port of Sevastopol, where asbestos was removed for even less, thanks to even lower standards in worker safety.

17.5.2   Environmental Standards

Technological progress triggered exponential growth in the human ability to alter the environment. While this has countless benefits, it also raises a number of dilemmas about the use of natural resources in societies with poor environmental regulations. Texaco was accused of causing irreversible damage to the Ecuador rainforest because of the use of low standards in the 1970s and 1980s.

In the late 1990s, the Finnish company Botnia planned the construction of a pulp mill in the city of Fray Bentos (Uruguay), on the shores of the Uruguay River near the border with Argentina. The project was heavily resisted by environmental advocacy groups. Botnia was accused of making extra profits by following lower environmental standards than in the home country. Another frequent international environmental dilemma is toxic industrial waste. It is estimated that a considerable part of China's arable land is polluted with lead, zinc and other heavy metals exported from developed economies. Old computers that are discarded in the United States usually end up in China, where the cost of disposal is 90% lower. Some emerging economies have sought to attract foreign direct investment by lowering environmental standards, in a phenomenon known as "race to the bottom" and the creation of countries that work as "pollution havens".

17.5.3   Human Rights

Corporations sometimes face dilemmas linked to operations in countries with governments accused of violating human rights. A high-profile case was the IBM scandal of doing business with the Nazis. In the 1930s and 1940s, IBM provided Hollerith punch cards to the Third Reich, which was used in the operational management of extermination camps. In the 1970s, Polaroid stopped selling equipment to the government in apartheid South Africa when it learned that cameras were used to make IDs for the surveillance of dissidents. In 1993, Levi Strauss and Co. cancelled contracts in China due to the systematic violation of human rights perpetrated by the government.

17.5.4   Cultural Diversity

Principles of law of nations hold that corporations need to respect the customs and culture of the communities where they operate. Traditional values are often lost to the homogenising trends introduced by globally integrated production

processes and merchandise promotion. Some amount of change is inevitable and certain local practices might not deserve protection if they violate important minimum global norms. However, when should a norm be respected due to cultural diversity considerations and when should it's ignored because it violates a worldwide minimum? Sometimes, cultural diversity dilemmas manifest themselves in marketing decisions. Developed countries usually have strict regulations against dangerous substances such as tobacco. As a change in customer preferences and health laws generated a decline in cigarette consumption in developed economies, tobacco companies shifted their attention and marketing dollars to emerging markets with different regulatory standards. For example, US tobacco executives had to decide how to market tobacco in Egypt, where the minimum legal age to buy cigarettes is 14. Should the company use the home standard (abstain from marketing tobacco to people under 18) or the host standard? Is the 14-year-old threshold from Egypt below some global minimum or the result of cultural preferences about the age at which people should be responsible for choosing whether to smoke or not?

17.5.5 Corruption

Corruption is a concept that agglomerates practices ranging from multi-million dollar payments to high government officials to a few dollars bribe to a low-level bureaucrat. It is estimated that over $1 trillion are paid in bribes annually, which squanders public resources and deprives millions of food, education and other government services to which they are entitled. Bribery in foreign operations was not always considered morally wrong. Some even saw it as a traditional operating cost when doing business in emerging economies. German corporate law, while severely punishing bribery reception, considered foreign bribes as tax-deductible expenses. Attitudes toward bribery changed in the late 1970s after the US Congress passed the Foreign Corrupt Practices Act which outlawed paying bribes abroad for American companies.

17.6 MULTINATIONAL ORGANISATIONS AND THEIR RELATIONSHIPS

Multinational organisations have the power to maneuver a few massive amounts of resources globally. Moving things from one location to the other would be the least of its problems. A lot of things that would limit profit might be worked around if things like environmental standards, production costs, taxes, safety at the workplace, production costs (Desjardins and McCall, 1990). The size of a multinational organisation and power could play a huge impact on the policy issues in a nation; such issues would be felt more by relationships with developing nations as opposed to developed nations.

Multinational organisations must realise that the culture of an organisation could have an effect on the behaviour of an employee within an organisation. An organisational culture could affect the behaviour of employees in an

organisation. Getz (1990) came up with a list of Multinational organisations, how they were interrelated and their rights as well as their duties. Getz (1990) classified Multinational organisations into three categories:

(i) MNC with host governments

(ii) MNC with the general public.

(iii) MNC with individual people.

Multinationals must think about their responsibilities in relation to a number of other things such as political engagements, regulations and laws, developmental and economic policies. The requirements in these areas contain (but aren't restricted to) providing local, raw materials, equity participation, preferential treatment to local sources. The MNC isn't above the regulations, laws and jurisdiction of the host and will use suitable international disagreement resolution mechanisms when necessary. MNCS should avoid interfering with improper political activities, intergovernmental issues nor pay bribes to public servants. Getz suggests that control of the host is that the basic right that has got to be recognised and revered by the MNC.

The relationship between MNCs and therefore the public has two major categories: technology transfer and environmental protection issues (Getz, 1990). With regard to technology, Culture, according to Hofstede, is a combination of mental programming that differentiates various groups from others that is seen in the beliefs and values of a society (Hofstede, 1980). Grosse and Kojawa (1992) define culture because the result or outcome during a given situation is accepted by people in terms of observing and therefore the responses accordingly. Vines and Napier (1992) define culture as that complex whole which incorporates knowledge, belief, art, morals, law, custom and the other capabilities and habits acquired by man as a member of society.

The massive differences in culture generate tons of managerial issues and ethical problems, are not any exceptions. Recognizing the link between the economic, cultural, and political challenges faced by multinationals, on the other hand, provides a solid foundation for recognising the need for international codes for companies doing worldwide business.

17.7 CROSS CULTURAL & CROSS RACIAL ISSUES

17.7.1 Cross Culture

Cross culture within the business world refers to a company's efforts to make sure that its people interact effectively with professionals from backgrounds different from their own. Like the adjective cross-cultural, it implies recognition of national, regional, and ethnic differences in manners and methods and a desire to bridge them. A field of study, cross-cultural communication, has emerged to define and understand the many ways the

different peoples of the world communicate with each other verbally and non-verbally.

- **How cross culture works:** The concept of cross culture is becoming critically important with the globalisation of companies. Many companies that seek to expand the markets for their products devote substantial resources to training employees on the way to communicate and interact effectively with those from other cultures. For example, when employees of a world company transfer to a different country, they have to master the cross culture. They must not only learn the language but adapt to its social norms. Today, cross culture education is taken into account for workers acting in managerial capacities abroad. Failure to effectively communicate with subordinates or understand their actions can cause cascading problems within the business.

- **The disadvantages of cross culture:** Every culture shapes how the minutest social, societal, and professional behaviors are interpreted, and that inevitably carries over into business. Some cultures view the association between a manager and a subordinate as a symbiotic relationship. In others, the manager is expected to rule as a bureaucrat. Cross culture extends to visual communication, physical contact, and perceptions of private space. In cultures that adhere to strict religious standards, interactions between members of the other sex, even within the business sphere, could also be complicated. Body language such as hand gestures may be frowned upon or, worse yet, may have meanings that were entirely unintended. In some cultures, casual touching is common, while in others it is viewed as rude, disrespectful, or worse.

- **Examples of cross culture:** Accepting a business card from a Japanese businessperson is not a causal action. The person presenting the cardboard will bow and present it with both hands. The recipient takes it with both hands, indicating respect. In China, giving an immediate "yes" or "no" answer, or demanding one among anyone else, is taken into account very rudely. Meetings are for talking things over, not announcing decisions. In Mexico, business is completed primarily among friends and family. Visiting business people often seek an introduction through an intermediary with local connections. Failing to watch any of the above customs would be a significant cross culture gaffe.

- **Cultural differences impact international business:** As companies still expand across borders and therefore the global marketplace becomes increasingly more accessible for little and enormous businesses alike, 2017 brings ever more opportunities to figure internationally. Multinational and cross-cultural teams are likewise becoming ever more common, meaning

businesses can enjoy an increasingly diverse knowledge domain and new, insightful approaches to business problems. However, alongside the advantages of insight and expertise, global organisations also face potential hindrances when it involves culture and international business.

17.7.2 Cross Racial Issues

As the world protests the killings of Black Americans, systemic racism and police violence, companies large and small are coming out with their own statements against racism and are pledging donations to civil rights groups. Some organisations, meanwhile, are taking it a step further and are committing to being anti-racist as an employer, and for good reason. Research has shown that the way a company responds to diversity-related events that receive widespread media coverage can either help employees feel psychologically safe or contribute to feelings of racial discrimination and mistrust of authority within the organisation. CNBC Make It spoke with experts and leaders about what it means to be an anti-racist employer and what it actually looks like in practice.

Anti-racist employer: While many organisations have promoted diversity and inclusion over the years, the idea of being explicitly anti-racist may be a newer concept to some. "To be anti-racist is to acknowledge the permanence of racism through organisations, industries and communities, and to recognise that racism is a system of disproportionate opportunity and penalties based on skin color," says Laura Morgan Roberts, a University of Virginia professor, author and speaker. "This isn't always obvious," she adds. "It can manifest in policies, procedures, unspoken norms and routines that push people into different paths of opportunity, where some individuals have greater access and others have less, due to race."

17.8 SUMMARY

Corporate morals disport and momentous parties in betroth virtuous CG and larger incorporate control. Corporate morality and CG second incorporate government. Ethical lapses and dilemmas are one of the base suits of many problems that material administration is facing now. Ethics can be determined broadly as the meditation of what is perpendicular or admirable for Christian beings. It essay to settle what companions owed to do and what goals they should prosecute. Business moral philosophy, as a department of incline moral philosophy, is the muse and conclusion of what is correct and pious in transaction settings. Unlike licit analyses, analyses of morality have no middle warrant, such as attract or legislatures, upon which to trust; nor do they imitate pellucid-hew, all standards.

Despite these limitations it is still to compel ethical judgments for reform material care. However, the inquiry is how to ensure that the ethical or

constitutional moral code of the regiment has been purveyed with oversight. The administration of a brigade is accountable for manufacturing forcible decisions. Managers are answerable for all concern trading operations and they also require all the essential decisions. To require decisions ethically chasten, uncertain forks are pondered for the intent of commendable conclusion-poem. There are uncertain frameworks of division-fabrication supported on elements such as regard, consequences and value. Managerial settlement-poem entwines decide problems and then form them for certain events. There is an incontrovertible pace to be chased during determination-doing.

17.10 SELF-ASSESSMENT QUESTIONS

1. What is the value of global ethics?

2. What is the role of corporate culture in global values?

3. What do you understand about multinational organisations?

4. Give the meaning of cross cultural issues.

5. What are the differences between values and ethics?

6. How workplace training can help and where it falls short?

7. What are the effects of cultural variations on international business?

8. Elaborate cross racial issues.

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UNIT 18: CORPORATE GOVERNANCE: ACCOUNTABILITY ISSUES

UNIT FRAMEWORK

18.1 Purpose

18.2 Introduction

18.3 Corporate Governance: Historical Perspective

18.4 The Need for Corporate Governance

18.5 Accountability Issues

18.6 Standards of Corporate Governance

18.7 Corporate Governance Framework in India

18.9 Summary

18.10 Self-Assessment Questions

18.11 Text and References

18.1 PURPOSE

After completing this unit you will be able to understand following topics:

- To explore the corporate governance: historical perspective and the need for corporate governance
- To determine the objectives of corporate governance and important reason of corporate governance in India
- To elaborate the accountability issues and standards of corporate governance
- To explore the corporate governance framework in India and issues in corporate governance in India
- To explain potential issues in corporate governance in India

18.2 INTRODUCTION

Corporate Governance (CG) is the arrangement of procedures, customs, strategies, laws, and organisations influencing the manner in which a partnership is coordinated, directed or controlled. CG additionally incorporates the connections among the numerous partners included and the objectives for which the organisation is administered. Corporate morals assume a significant job in guaranteeing great CG and better corporate administration. Corporate morals and CG bolster corporate administration. Moral failures and issues are one of the underlying drivers of numerous issues that corporate administration is confronting today. The current paper points: (I) to comprehend the idea of business morals and CG as a need; (ii) to feature the Indian methodology

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towards the CG rule; and (iii) to inspect, with the assistance of scarcely any contextual investigations and how CG can be productive on the planet advertise today.

18.3 CORPORATE GOVERNANCE: HISTORICAL PERSPECTIVE

The sources of up-to-date incorporated control were in all probability down by the Watergate detraction in the United States. As an event of the succeeding investigations, US Regulatory and Legislative Bodies were powerful to foreground restraint might-have-been that had suffered several adult corporations to force bogus public contributions and to douceur state officials. This led to the revelation of the Foreign and Corrupt Practices Act of 1977 in the USA, that confined remedy furnish concerning the settlement, holding and revisal systems of inward government.

This was followed in 1979 by the Securities and Exchange Commission proposals for mandatory reporting on internal financial controls. In 1985, following a series of high profile business failures in the USA, the most notable one of which being the Saving and Loan collapse, the Tread way Commission was formed. Its primary role was to identify the main cause of misrepresentation in financial reports and to recommend ways of reducing incidence thereof.

The Tread way was promulgate in 1987, foregrounding the indigence for a fit guide surrounding unconstrained hearing committees and an unprejudiced Internal Audit performance. It assembles to reveal echo on the duty of spiritual check. It also begged the underwriter organisations to unfold and merged curdles of inward check criteria to endow counterparts to correct their guide. While development in the United States stimulated debate in the UK, a spate of scandals and collapses in that country in the late 1980's and early 1990's led shareholders and banks to worry about their investments. These also led the Government in the UK to recognise that the then existing regulation and self-regulation were not working.

It was in an attempt to thwart the return of such vocation failures that the Cadbury Committee, under the chairmanship of Sir Adrian Cadbury, was obstructed by the London Stock Exchange in May 1991. The Guardian, composed of representatives drawn from the top open of British Industry, stated the study of drafting a digest of usage to support the corporations in the UK in deciding an appropriate spiritual guide to hindrance their exposure to burial injury, from whatever suit.

Corporate governments are deciding to perform checks, straight and appraise the activities of a band. The edifice of general government mentions that the others attracting part in the association, such as the approach managers, center

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of directors, shareholders and other stakeholders must be furnished with some equitable and responsibilities. Providing powers to the participants of the band ensue in the overuse completion of the employees in an association. Corporate government assists the organism finish the goals and objectives of a system in a hanker after appearance.

A few definitions of material government are as copy:

According to Shleifer and Vishny, 'Corporate government trades with the ways in which suppliers of revenue to corporations aver themselves of obtaining a restore on their vestment.' A subject from Financial Times has determined general control as 'the relationship of a copartner to its shareholders or, more broadly, as its relationship to company'. According to J. Wolfensohn, 'Corporate arrangement circularly excites general fairness, transparency and accountability.'

18.4 THE NEED FOR CORPORATE GOVERNANCE

There are several principles for the destitution for material control in a band. These are:

- A corporation, which is a confederacy of many stakeholders, such as employees, customers, investors, vendors, and so on, must be honest and porous to its stakeholders in all its dealings. It is very essential in now's globalised calling mankind, where corporations enjoin to have outburst to across-the-board decoy of excellent influence and hold the pick man resort from all ability of the orb. If a corporation does not take up and show ethical behavior, it is not estimated to be efficacious.

- Corporate governments screen ethical carriage in calling, the digest of utility and moral code that befriend a person to prefer between direct and wry or cause the equitable choice from the spread or alternatives if. Managers choose on true actions on the base of a moral code that are restrained by the cultivation of close and regard of a regiment. A machine that promotes ethical import experience for the matter, as it serves in extensive journey and stakeholders notice that the government is flowing the army along the dream road. It is past the circle of law, i.e., it originates from the foundation and standpoint of the administration and can't be managed by enactment alone. It manages the issues of an organisation so that it is reasonable to all the partners and that its dealings advantage the best number of partners.

- It is about trustworthiness, uprightness and obligation. Laws ought to set up a typical system to look after guidelines. Since substance is particularly connected with the outlook and moral principles of the executives, it will at long last set out the respectability and honesty of the procedure.

- The monetary fitness of an organisation can be improved through corporate administration. Corporate administration additionally guarantees that partnerships think about the interests of a wide scope of bodies' electorate and likewise of the networks inside which they work.

- Corporate administration likewise ensures that the sheets of executives are dependable to the investors. This even assists with guaranteeing that partnerships work for the advantage of the general public everywhere, including the general public's interests about work and condition.

- Often, significance and consideration is given to corporate administration in times of money related emergency. In the US, when outrages upset the in any case quiet what's more, satisfied professional workplace, new activities hurled by them prompted new discussions in Asia and the European Union. With numerous cases of corporate wrongdoing coming into spotlight, the accentuation presently is in consistence with substance, as opposed to on structure. It has too brought to the front the need of scholarly trustworthiness and uprightness. The budgetary and different exposures made by firms are just tantamount to the individuals who make it.

- In 1998, the Confederation of Indian Industry (CII) made open an attractive and deliberate code. This denoted the start of corporate administration activities in India. At that point, based on the Kumar Mangalam Birla Committee Report in February 2000, Securities and Exchange Leading body of India (SEBI) made the main formal administrative structure for recorded organisations.

- Corporate administration is planned for expanding the drawn out estimation of an association for its investors, yet in addition accomplices. It speaks to an amalgamation of each one of those engaged with a procedure that is financial. It is basic for all associations to oversee and oversee. Corporate administration incorporates the whole partner and at the equivalent time the procedure is monetary just as social.

18.4.1 The Objectives of Corporate Governance

Straightforwardness in corporate administration is basic for the development, productivity and solidness of any business. The requirement for good corporate administration has strengthened because of developing rivalry among organisations in every financial area at the national, just as global level.

Corporate administration was guided by Clause 49 of the Listing Agreement before the presentation of the Companies Act of 2013. According to the new arrangement, SEBI has likewise affirmed certain alterations in the Listing Agreement to improve the straightforwardness in exchanges of recorded organisations and giving a greater state to minority partners in affecting the

choices of the executives. These changes have gotten compelling from the first October 2014.

- A Few New Provision for Directors and Shareholders

- At least one ladies chiefs are suggested for specific classes of organisations

- Each organisation in India must have an occupant index

- The most extreme admissible executives can't surpass 15 of every open restricted organisation. On the off chance that more chiefs must be delegated, it very well may be done distinctly with the endorsement of the investors in the wake of passing a Special Resolution

- The Independent Directors are a recently presented idea under the Act. An implicit rule is recommended as are different capacities and obligations

- The Independent executives must go to in any event one gathering a year

- Each organisation must designate an individual or firm as an examiner. The obligation of the Audit board of trustees has expanded

- Documenting and divulgences with the Registrar of Companies has expanded

- Top administration perceives the privileges of the investors and guarantees solid co-activity between the organisation and the partners

- Each organisation needs to make exact divulgence of monetary circumstances, execution, material issue, possession and administration

18.4.2 Important reason of Corporate Governance in India

An organisation that has great corporate administration has a lot more significant level of certainty among the investors related to that organisation. Dynamic and free chiefs contribute towards an uplifting view of the organisation in the money related market, emphatically impacting share costs. Corporate Governance is one of the significant standards for remote institutional financial specialists to settle on which organisation to put resources into. Corporate administration shields the administration as well as the interests of the partners too and encourages the monetary advancement of India in the thundering economies of the world.

18.5 ACCOUNTABILITY ISSUES

Corporate administration is the term used to depict the parity among members in the corporate structure who have an enthusiasm for the manner by which the

organisation is run, for example, official staff, investors and individuals from the network. Corporate administration legitimately impacts the benefits and notoriety of the organisation, and having helpless strategies can open the organisation to claims, fines, reputational harm, and loss of capital venture. Here are five basic entanglements your corporate administration arrangements ought to stay away from.

1) **Conflicts of Interest:** Maintaining a strategic distance from irreconcilable circumstances is indispensable. An irreconcilable circumstance inside the structure of corporate administration happens when an official or other controlling individual from an organisation has other money-related premiums that legitimately struggle with the destinations of the company. For instance, a board individual from sunlight based organisation who claims a lot of stock in an oil organisation has an irreconcilable circumstance in light of the fact that, while the board the individual in question serves on speaks to the improvement of clean vitality, they have an individual money related stake in the achievement of the oil business. At the point when irreconcilable circumstances are available, they break down the trust of investors and people in general while making the company helpless against the case.

2) **Oversight Issues:** Compelling corporate administration requires the governing body to have generous oversight of the organisation's systems and practices. Oversight is an expansive term that includes the office staff answering to the board and the board's familiarity with the day by day activities of the organisation and the manner by which its targets are being accomplished. The board secures the interests of the investors, going about as a check and parity against the official staff. Without this oversight, corporate staff may disregard state or government law, confronting considerable fines from administrative organisations, and enduring reputational harm with people in general.

3) **Accountability Issues:** Responsibility is vital for powerful corporate administration. From the high-level officials to bring down level representatives, each level and division of the enterprise should report and be responsible to another as an arrangement of governing rules. Regardless of anything else, the activities of each degree of the partnership are responsible to the investors and general society. Without responsibility, one division of the organisation may imperil the accomplishment of the whole organisation or cause investors to lose the longing to proceed with their speculation.

4) **Transparency:** To be straightforward, an organisation should precisely report their benefits and misfortunes and make those figures accessible to

the individuals who put resources into their organisation. Overinflating benefits or limiting misfortunes can genuinely harm the organisation's relationship with investors in that they are tempted to contribute under misrepresentations. An absence of straightforwardness can likewise open the organisation to fines from administrative offices.

5) **Ethics Violations:** Individuals from the official board have a moral obligation to settle on choices dependent on the eventual benefits of the investors. Further, an enterprise has a moral obligation to ensure the social government assistance of others, remembering the more prominent network for which they work. Limiting contamination and shunning fabricating in nations that don't hold fast to comparative work principles as the U.S. are the two instances of a manner by which corporate administration, morals, and social government assistance interweave.

18.6 STANDARDS OF CORPORATE GOVERNANCE

Corporate administration has advanced around certain key standards, which structure the base of rules and rules set for the corporate.

- **Straightforwardness:** Exposure of the significant data about corporate in the ideal and exact way is fundamental. It causes the partner to know their privileges and everyday activities of the corporate.

- **Responsibility:** It guarantees the risk of the individual who takes a choice for the enthusiasm of the others. Consequently, people like administrators, executives, chiefs and different officials ought to be responsible to different partners of the corporation.

- **Freedom:** Freedom of top directors is significant for the smooth working of the corporate. The leading group of directors must work without the obstruction of any invested individual in the corporation.

18.7 CORPORATE GOVERNANCE FRAMEWORK IN INDIA

The Indian system of Corporate Governance has been limitlessly in a state of harmony with the worldwide norms. Comprehensively, it tends to be depicted in the accompanying:

- The Companies Acts 2013 has arrangements concerning Independent Directors, Board Constitution, General gatherings, Board gatherings, Board forms, Related Party Transactions, Audit Committees, and so forth.

- SEBI (Securities and Exchange Board of India) Guidelines guarantee the assurance of speculators and have commanded the organisations to hold fast to the accepted procedures referenced in the rules.

- Bookkeeping Standards given by the ICAI (Institute of Chartered Accountants of India) wherein the ICAI is a self-sufficient body and issues bookkeeping gauges. The revelation of budget summaries is likewise made obligatory by the ICAI sponsored by the Companies Act 2013, Sec. 129.

- Standard Listing Agreement of Stock Exchanges applies to the organisations whose offers are recorded on different stock trades.

- Secretarial Standards issued by the ICSI (Institute of Company Secretaries of India) issues norms on 'Gatherings of the governing body', General Meetings', and so forth. The organisations Act 2013 engages this self-ruling body to give measures which every single organisation is required to cling to so they are not rebuffed under the Companies Act itself.

18.8 ISSUES IN CORPORATE GOVERNANCE IN INDIA

In spite of the fact that there exist numerous issues in the field of Corporate Governance particularly in India, an exertion has been made to feature just the significant ones here:

- **Board Execution:** The prerequisite of in any event one lady chief is essential, and furthermore the parity of official and non-official executives is not kept up. Assessment isn't performed every once in a while and straightforwardness is lost someplace. The exhibition isn't result-arranged. These necessities are not generally met with.

- **Autonomous Directors:** Autonomous chiefs are designated for an explanation which doesn't appear to be satisfied in the current situation. Considerably after SEBI rules' being given to the corporates, for the arrangement of a review board or giving of a far-reaching meaning of the autonomous chiefs, the real circumstance has all the earmarks of being more awful.

- **Responsibility to Stakeholders:** The responsibility isn't confined to that of the investors or the organisation; it is for the general public everywhere and

furthermore the earth. The chiefs are not to remember their own advantages yet additionally the interests of the network.

● **Hazard Management:** The hazard the board procedures are to obligatorily be attempted by the chiefs according to the Company Laws and they need to make reference to in their report to investors also. This isn't being done in the truest habits required for the activity.

● **Security and Data Protection**: This is a significant administration issue. Cyber security has developed to be the most significant part of present-day administration. Great administration must be accomplished once the chiefs and different pioneers in the organisation are notable about the dangers in this field.

● **Corporate Social Responsibility (CSR):** Being among the couple of nations to enact on CSR, it is required for organisations to contribute a base 2% of the benefits over the most recent 3 years for CSR exercises. In any case, legitimate reasons ought to be referenced in the reports if there should be an occurrence of disappointment. The organisations appear to be hesitant towards making such ventures.

18.8.1   Potential Issues in Corporate Governance in India

The significance of good corporate administration for an organisation's prosperity has been focused on enough in the previous hardly any websites. Notwithstanding, despite the fact that you have remembered the standards, the various models and all the parts of good administration, there is consistently scope for the mistake and that is the reason issues in corporate administration are in wealth. Particularly responsibility issues; at this point, we know how significant responsibility and straightforwardness is in corporate administration. Let us take a gander at a portion of the means you could take against potential issues that you may need to confront.

1. **Picking the correct board**: It is presently entrenched that the board in any partnership assumes a significant job in its administration, which is the reason care ought to be taken to not put undeserving, unpracticed individuals who are unequipped for taking care of critical circumstances and shaping appropriate arrangements. So everybody's perspective is spoken to in the board, it is imperative to have an assorted gathering of individuals in the gathering with a solid blend of ethnicities and people. Other than the board overseeing everything, it is significant that the earnestness of the whole corporate administration business is instilled in the corporate culture. Going along on paper isn't sufficient; there ought to be obvious, unmistakable consistency and ensuing outcomes. Board arrangements ought to be finished by casting a ballot just and based on ability and experience and not in light of family contacts or impact. This

will ensure that the board involves individuals who are devoted to working for the organisation's motivation and not only there for it.

2. **Assessment of Directors:** The board additionally should be assessed based on their presentation. In January 2017, SEBI, India's capital markets controller, discharged a 'Direction Note on Board Evaluation'. This note had data with respect to the different parts of execution assessment by expounding on the best way to distinguish targets, various standards and strategy for assessment. Ordinarily, these assessments are called to be made open to such an extent that the outcomes really affect the executives. Nonetheless, such assessments might be delicate in nature and full open divulgence may end up negating sway on the association.

3. **Expulsion of the Independent Directors:** Autonomous chiefs are blamed for keeping up an aloof stand with respect to the board's choices. Be that as it may, in situations where these chiefs have challenged advertiser choices, they have been expelled for resistance with the advertiser and this is by law as it is expressed that a free executive can be handily evacuated by advertisers or lion's share investors. This natural clash directly affects freedom. Along these lines, to ensure that chiefs are not just expelled from the board, there should be a superior assessment framework set up to legitimise the evacuation and the choice of the greater part ought to be considered.

4. **Responsibility towards Stakeholders:** Chiefs have obligations not just towards the organisation that they head and its partners yet additionally towards its workers, the network and nature's security. These general obligations should be done by all chiefs; be that as it may, the free ones appear to be self-satisfied. This might be because of the absence of genuine usage. In this way, to additionally proliferate responsibility, the whole board must be ordered to be available for all gatherings with partners to actuate sound kinship.

5. **Control in the possession of the Founder:** In nations like India, the author's character is frequently converged with the organisation's personality as they recognise as very much the same. The organiser has huge power over the working of the organisation and can represent the moment of truth in any part of the administration. There is an absence of progression arranging and organisers continue practicing their capacity to impact vital choices with respect to the organisation. It is significant that the authors chalk out a progression plan and actualise it.

6. **Overseeing Risks:** A hazard the board strategy has consistently been basic and has increased more significance throughout the years, particularly in this day and age where large organisations are under the examination of the

media and different contenders. An appropriate hazard is the board methodology should be chalked out and instilled in the everyday operations of the organisation. The autonomous executives are commanded to survey the hazards of the board frameworks of the organisation.

7. **Information Protection and Security:** Today, everything is digitalised, and as much as it has a gigantic number of points of interest, it likewise represents an extraordinary hazard to the protection of information. The board must be comfortable within any event the essentials of cyber security to ensure the organisation against a potential information embarrassment. The load up must contribute a sensible measure of time and cash so as to guarantee the objective of information insurance is accomplished.

8. **Corporate Social Responsibility and the Board:** Organisations that meet the particular standards/limits are required to establish a CSR council from inside the board. This council proceeds to outline a CSR strategy. Organisations are required to spend at any rate 2% of the normal net benefits of the keep going three money-related a long time on CSR exercises. In the event that the user isn't completed, appropriate support should be given. CSR is significant and CSR tasks ought to be overseen by a board with as much intrigue and life as some other business venture of the organisation.

18.9 SUMMARY

The CG practices of both open area and private part organisations are practically comparable. We discovered that the CG rehearsals apply an extraordinary effect on the presentation of the organisation. Organisations which are having acceptable CG practices will have a decent picture among the financial specialists furthermore, the general population all in all. In spite of the fact that a lot of the concentration in the Satyam scene was on the job of the autonomous executives, specialists accepting the job of evaluators is currently at the center of attention. Specialists accept that it is the institutional financial specialists who have the instruments, data transfer capacity and clout to separate data and assume a lobbyist job in guaranteeing that administrations don't go off course. On the off chance that institutional financial specialists act all in all, they can request the necessary changes at organisations they have put resources into. While the CG system in the nation is seen at standard with other created markets, the equivalent must be actualised in 'letter just as soul'. CG can be defined as a scenario of trust, morals, values, and assurance that is the result of a collaborative effort by all members of society, including the legislators, the general public, and specialised specialist co-ops in the corporate sector. There are different delicate laws just as some rigid components for the authorisation of corporate administration.

18.10 SELF-ASSESSMENT QUESTIONS

1. What do you understand about corporate governance? Explain its historical perspective.

2. Elaborate the need for corporate governance.

3. What are the objectives of corporate governance?

4. Discuss the important reasons for corporate governance in India.

5. Discuss accountability issues.

6. What are the standards of corporate governance?

7. Explain the corporate governance framework in India.

8. What are the issues in corporate governance in India?

9. Elaborate potential issues in corporate governance in India.

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UNIT 19: BOARD: OBJECTIVES AND STRATEGIES

UNIT FRAMEWORK

19.1   PURPOSE

After completing this unit you will be able to understand following topics:

- To explore the board: objectives and strategies

- To determine the role of the board of directors in corporate governance

- To explore the board structure

- To elaborate performance evaluation of board

- To explain the training and development of directors

19.2   INTRODUCTION

The administration of an association is answerable for settling on viable choices. Supervisors are answerable for all business activities and they likewise make all the significant choices. To settle on morally right choices, different models are considered with the end goal of good dynamics. There are different structures of dynamics dependent on elements, for example, obligation, outcomes and prudence. Administrative dynamic includes characterising issues

and afterward organising them for positive outcomes. There are sure strides to be followed during dynamics.

19.3 BOARD OBJECTIVES AND STRATEGIES

It takes a blend of individuals, rules, procedures and strategies to deal with the matter of an organisation. This is the means by which we characterise corporate administration. Corporate administration shapes the reason for companies to settle on choices that think about numerous situations, including monetary, social, and administrative and the market condition. Corporate administration gets its underlying foundations in moral conduct and business standards, with the objective of making long haul worth and manageability for all partners. Corporate board executives face the consistent test of adjusting the interests of the board, the board, investors and partners. They react to their obligations and duties with full respect to straightforwardness and responsibility.

It's frequently said that corporate sheets are answerable for giving oversight, knowledge and prescience. That is a difficult task in the present commercial center, which is minded boggling and unpredictable. The work of board executives relies heavily on high administrative standards.

19.3.1   The Idea of Administration

Numerous administration researchers have perceived that solid corporate administration is essential to strong and energetic capital markets and is a significant instrument of financial specialist security. As per The Institute of Company Secretaries of India, "Corporate Governance is the use of best administration practices, consistency or jaw in evident letter and soul and adherence to moral norms for successful administration and dissemination of riches and release of social duty regarding maintainable advancement all things considered". Cadbury Committee (U.K.), 1992 has characterised corporate administration as "Corporate administration is the framework by which organisations are coordinated and controlled. It envelops the whole mechanics of the working of an organisation and endeavors to set up an arrangement of balanced governance between the investors, chiefs, representatives, evaluator and the administration." Other gatherings of researchers clarified the term corporate administration as "procedure and structure by which the business and undertakings of the organisation are guided and overseen to upgrade long haul investor esteem through improving corporate execution and responsibility while considering the premiums of different partners".

Firms at worldwide level perceiving that better corporate administration increases the value of their operational exhibition in the accompanying manners:

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- It improves key intuition at the top by drafting free executives who bring an abundance of experience, and a large group of new thoughts.
- It legitimizes the administration and observing of hazards that a firm faces comprehensively.
- It restricts the obligation of senior administration and executives, via cautiously articulating the dynamic procedure. It guarantees the trustworthiness of monetary reports.
- It has long haul reputational impacts among primary partners, both inside and remotely.

19.3.2   The Target of Corporate Administration

The central goal of corporate administration is to support and augment investor esteem and secure the enthusiasm of other partners. The World Bank portrayed Corporate Governance as a mix of law, guideline and fitting intentional private parts which empowers the firm to draw in money related and human funding to perform productively, and set itself up by creating long haul financial incentives for its investors, while regarding the premiums of partners and society overall. Corporate administration has different targets to fortify speculator's certainty and understudy prompts quick development and benefits of organisations. These are referenced beneath:

- An appropriately organised Board capable of taking autonomous and target choices is set up in charge of issues.
- The Board is adjusted as respects the portrayal of an appropriate number of non-official and autonomous executives who will deal with the interests and prosperity of the considerable number of partners.
- The Board acknowledges straightforward strategies and rehearses and shows up at choices on the quality of sufficient data.
- The Board has a powerful system to comprehend the worries of partners.
- The Board keeps the investors educated regarding significant improvements affecting the organisation.
- The Board viably and normally screens the working of the supervisory group.
- The Board stays in powerful control of the undertakings of the organisation consistently.

19.3.3   Components of Good Corporate Governance

It has been set up in different administration reports that parts of good corporate administration include straightforwardness of corporate structures and activities, the responsibility of supervisors and the sheets to investors, and corporate duty towards partners. While corporate administration fundamentally sets out the system for making long haul certainty among organisations and the outside suppliers of capital. There are various components of corporate administration which are referenced underneath:

- There is straight forwardness in Board's procedures and autonomy in the working of Boards. The Board should give compelling authority to the organisation and the board to acknowledge continued success for all partners. It ought to give free judgment to accomplishing the organisation's goals.

- There is responsibility to partners to serve the partners and record to them at ordinary spans for activities taken, through solid and supported correspondence forms.

- Clear and unequivocal enactment and guidelines are basics to compelling corporate administration.

- Great administration condition that incorporates setting up of clear destinations and appropriate moral system, building up due procedures, away from of duty and responsibility, sound business arranging, building up clear limits for adequate conduct, setting up execution assessment measures.

- Unequivocally endorsed standards of moral practices and set of accepted rules are imparted to all the partners, which ought to be unmistakably comprehended and followed by every individual from the association.

- The destinations of the company must be perceived in a drawn-out corporate system including a yearly marketable strategy alongside reachable and quantifiable execution targets and achievements.

- A very much made Audit Committee filled in as contact with the administration, inside and legal evaluators, exploring the ampleness of inward control and consistency with noteworthy strategies and methods, answering to the Board on the key issues.

- Hazard is a significant part of corporate working and administration, which ought to be recognised, dissected for taking suitable remedial measures. To manage such circumstances, the Board ought to define an instrument for intermittent surveys of inside and outer dangers.

- An unmistakable Whistle Blower Policy whereby the workers may unafraid report to the administration about unscrupulous conduct, genuine or associated cheats or infringement with organisation's implicit rules. There ought to be some instrument for sufficient defense to faculty against exploitation that fills in as informants.

19.4 ROLE OF THE BOARD OF DIRECTORS IN CORPORATE GOVERNANCE

Top managerial staff is composed of people chosen by a partnership's investors to regulate the administration of the enterprise. An association permits various people or gatherings to add to the capital, aptitude and their information so the association can work productively without confronting any challenges. There are different members in the association, for example, speculators also, investors. They don't take an interest in the activities of the association.

Their principle intrigue is to have an extent of the offer in the salary of the association. The investors and financial specialists reserve the privilege to choose the leading group of chiefs of an association so as to speak to and secure their inclinations. The directorate has the force and obligation to frame the corporate approaches of an association. Accordingly, the governing body has the forces to make certain choices, which can thus influence the since quite a while ago run execution of the organisation. It implies that the governing body has an extremely huge capacity in the working of the business as it additionally directs the top administration of the association.

The obligations and decisions that the governing body needs to follow are obviously set down by the association. It incorporates checking the exhibition of the organisation and its administration and favoring significant business approaches. The governing body is completely informed ahead of time of load up gatherings and the issue that will be talked about in the gathering. The directorate gets standard reports on the monetary position of the association, key zones of the associations' tasks and other issues. The governing body gives multi abilities and information to the association; what's more, it additionally takes an interest completely in settling on choices on key issues that the association faces. The association follows its own presentation survey process to get to how well the board and its councils are performing and how they may be additionally improved.

19.5   BOARD STRUCTURE

Details of each member of the Board, such as term of office, qualifications and experience and information on other directorships held can be found in the Directors' Report. Where practical, at least 50% of the Board will be independent. The Board comprises members with a broad range of skills and experience. The Board considers it beneficial for the following skills and experience to be represented on the Board:

1. Experience as a Chief Executive;

2. Financial experience;

3. Experience and knowledge, especially in the oil and gas industry;

4. Legal and regulatory experience;

5. Markets experience; and

6. Corporate governance and risk management experience.

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The Board annually reviews the skills and experience of its members and decides on whether any action needs to be taken to supplement or complement those skills.

19.5.1 The Company Secretary

When requested by the Board, the Company Secretary will facilitate the flow of information of the Board, between the Board and its Committees and between senior executives and nonexecutive Directors. The Company Secretary is to facilitate the induction of new Directors and the implementation of Board policies and procedures and ensure businesses at meetings are accurately captured in minutes. The Company Secretary is to provide advice to the Board on corporate governance matters, the application of the Company's Constitution, the ASX Listing Rules and applicable other laws. All Directors have access to the advice and services provided by the Company Secretary. The Board has the responsibility for the appointment and removal of the Company Secretary.

19.5.2 Board Members

It can be divided into three categories:

1. **Chairman:** Technically the leader of the corporation, the board chairman is responsible for running the board smoothly and effectively. Their duties typically include maintaining strong communication with the chief executive officer and high-level executives, formulating the company's business strategy, representing management and the board to the general public and shareholders, and maintaining corporate integrity. The chairman is elected from the board of directors.

2. **Inside Directors:** These directors are responsible for approving high-level budgets prepared by upper management, implementing and monitoring business strategy, and approving core corporate initiatives and projects. Inside directors are either shareholders or high-level managers from within the company. **Inside directors** help provide internal perspectives for other board members. These individuals are also referred to as executive directors if they are part of the company's management team.

3. **Outside Directors:** While having the same responsibilities as the inside directors in determining strategic direction and corporate policy, outside directors are different in that they are not directly part of the management

team. The purpose of having outside directors is to provide unbiased perspectives on issues brought to the board.

19.5.3 Management Team

As the other tier of the company, the management team is directly responsible for the company's day-to-day operations and profitability.

1. **Chief Executive Officer (CEO):** As the top manager, the CEO is typically responsible for the corporation's entire operations and reports directly to the chairman and the board of directors. It is the CEO's responsibility to implement board decisions and initiatives, as well as to maintain the smooth operation of the firm with senior management's assistance.

2. **Chief Operations Officer (COO):** Responsible for the corporation's operations, the COO looks after issues related to marketing, sales, production, and personnel. Often more hands-on than the CEO, the COO looks after day-to-day activities while providing feedback to the CEO. The COO is often referred to as a senior vice president.

3. **Chief Financial Officer (CFO):** Also reporting directly to the CEO, the CFO is responsible for analysing and reviewing financial data, reporting financial performance, preparing budgets, and monitoring expenditures and costs.

The CFO is required to present this information to the board of directors at regular intervals and provide it to shareholders and regulatory bodies such as the Securities and Exchange Commission (SEC). Also usually referred to as a senior vice president, the CFO routinely checks the corporation's financial health and integrity.

19.6 PERFORMANCE EVALUATION OF BOARD

Current Governance and Board Performance Evaluation

Great corporate administration requires successful sheets and to assess their exhibition and evaluate executives at any rate once every year. In the UK, board execution assessment has gotten productive. What has not become summed up is the nature of these board assessments, which shifts fiercely from organisation to organisation. The expanding dependence on board the executives programming with board execution assessment apparatuses is evolving this, however, the change to present-day administration is moderate.

From the perspective of corporate administration, it is basic for an association to guarantee that the elements of a top managerial staff are solid, that is, every executive contributes on an individual premise, as a colleague and as an individual from boards of trustees. Covering board assessments should show

what the board is progressing nicely and less well, what singular chiefs are contributing, and how people may contribute more.

19.6.1 Board Assessment Tools Facilitate Individual Board Member Evaluations

An ongoing investigation of executives at executive gatherings gives away why individual board part assessments are basic to evaluating board execution. The examination noticed the predominance of some chief practices that block effective lead of executive gatherings: "44 percent of chiefs overviewed concur that individuals from their sheets go too far among oversight and effectively attempting to deal with the organisation; 39 per cent state that board individuals wreck the discussion by presenting things that are off point; 35 per cent that board individuals are diverted by innovation or accept assembles during conferences; and 25 per cent that board individuals are caught off guard for gatherings. An entire 74 per cent of executives reviewed concur that board individuals permit, probably improperly, individual or past experience to command their points of view."

Along these lines, countless sheets show helpless elements, yet none of these advances into the board assessment. This is on the grounds that assessing the exhibition of an individual chief requires care in structure and affectability in usage. This is the place board the executives programming can assume a key job: making a private situation for one-on-one meetings between the seat and individual chiefs, or between chiefs, or among chiefs and the board. Board evaluation apparatuses help center around the issues that are needed among the board individuals, just as to adjust those needs to the desires that are set up by the organisation's statement of purpose, and by administration best practices. The entirety of the consequences of this informal social event can be examined effectively and with a significant level of precision by the evaluation instrument.

19.6.2 Board Chair Performance Evaluation Tools

The touchiest subject is the assessment of the seat. Indeed, even a decent pioneer consistently needs to settle on troublesome choices, some of which perpetually lead to disdain or offence among board individuals. In this way, it is hard to adjust board part evaluations of the seat with that of the board and that of the person. Here once more, board the executives programming and board seat execution devices can streamline the procedure, taking the pertinent issues from all assessments, investigating them regarding explicit benchmarks,

and permitting the whole board to partake in a decent perspective on the seat's presentation.

19.6.3   Free Board Evaluation Tools

There are likewise issues to be viewed as when the assessment is overseen by an outer, outsider specialist. Absolutely, there are points of interest in this methodology:

"Connecting with an outside autonomous master or specialist or counsel to encourage the board assessment process implies that the assessment procedure turns out to be progressively free and straightforward," writes Deloitte.

The inconveniences and difficulties are likewise extensive. An outside evaluator can't think a lot about the elements of the board, how compelling individual technique choices have been, singular commitments from executives, and so on. Surely, the evaluator will get some information about these things, however, the way toward posing explicit inquiries as of now delimits, somewhat, the idea of the appropriate responses. Here, once more, the help of the executives programming can be conclusive. First, by making a suitable structure for investigation, at that point by gathering and examining information, the appraisal device can fill all the imperative holes for an outside evaluator, and guarantee that the assessment is productive and relevant.

19.7 TRAINING AND DEVELOPMENT OF DIRECTORS

Review of 'Corporate Governance Training and Director Development menu', Various associations have diverse improvement prerequisites at board level, contingent upon the experience of their chiefs, their specific area and their working condition. Our courses spread all parts of compelling corporate administration preparing for privately owned businesses, cited organisations, universal tasks and furthermore non-business associations, for example, a noble cause. To help thin down the substance of a corporate administration instructional class/workshop, this menu of modules has been created to cover all the key issues:

- PART I: INTRODUCTION TO GOVERNANCE
- Module 1: Corporate administration
- Module 2: The business case for corporate administration
- Module 3: Disclosure and straightforwardness
- Module 4: The job of shareowners and partners
- PART II: THE BOARD
- Module 5: Board job, chiefs' obligations and liabilities
- Module 6: The viable board: synthesis and structure
- Module 7: Board rehearses
- Module 8: Board methods
- PART III: STRATEGIC LEADERSHIP

- Module 9: The administration of technique
- Module 10: Evaluating technique conveyance and official chiefs execution
- Module 11: The administration of hazard
- Module 12: Corporate duty
- PART IV: FINANCIAL STEWARDSHIP AND ACCOUNTABILITY
- Module 13: Financial oversight
- Module 14: Reporting
- Module 15: Corporate fund
- Module 16: The control condition
- PART V: LEADING, PLANNING, IMPROVEMENT
- Module 17: Leading, arranging, improvement

- **Preparing destinations:** Whatever your corporate administration preparing destinations, taking this adaptable menu of discretionary modules as a beginning stage will guarantee a program that is as firmly custom made to your specific needs as could be expected under the circumstances.

- **Crowd:** All board individuals (i.e., including non-official chiefs, administrators, overseeing executives and other board individuals).

- **Arrangement:** Absolutely adaptable. The corporate administration preparing modules have all been created as three-hour meetings, yet components from each can be assembled to make the corporate administration instructional class you need: just demonstrate the subjects of most intrigue and we will devise a program in like manner. What's more, if there is anything we have not recorded, let us know and we will build up a corporate administration preparing module only for you.

- **The master coach:** Chris is the Chief Executive Officer of an authority corporate administration consultancy and has broad experience of corporate administration preparing. He is a chief on various sheets in the UK and abroad. He is globally famous for his work with strategy producers, executives and sheets in Europe, Asia, Africa, the US and South America. Late ventures that he has driven include: Coordinating and leading Global Governance Leadership Programs for the World Bank in Africa and South Asia.

19.8 SUMMARY

Obviously the administration has the ability to influence the conduct and dynamic ability of the workers, as the board itself is a decision making process. Dynamic should be possible under hazard, sureness or vulnerability. In any circumstance, the procedure of dynamics is full of issues like scarcity of time, feeble correspondence, absence of adequate data and absence of information. An association can't manage without corporate administration which is the

demonstration of controlling, coordinating, and assessing the exercises of an association unnecessary to state that moral dynamic structures a vital piece of corporate administration today.

19.9 SELF-ASSESSMENT QUESTIONS

1. 'Ethical decision-making is an integral part of the functioning of an organisation'. Discuss.

2. Leadership strategies are essential in an organisation. Discuss.

3. What are the corporate administration preparing modules?

4. Explain the various ethical decision-making frameworks.

5. Analyse in detail the roles and responsibilities of the Board of Directors in corporate governance.

6. A manager must possess certain skills in order to translate knowledge into performance, which is the required managerial skill in corporate governance.

7. There are two different models used to govern a corporation. Discuss the outsider and insider model of corporate governance.

8. Draw Board Structure of Corporate Governance.

9. Discuss different types of managerial roles in corporate governance.

19.10 TEXT AND REFERENCES

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UNIT 20: ACCOUNTING STANDARDS & ACCOUNTING DISCLOSURES

UNIT FRAMEWORK

20.1 Purpose

After completing this unit you will be able to understand following topics:

- To explore the accounting standards & accounting disclosures

- To determine the bookkeeping records and yearly records

- To elaborate corporate governance framework in India and administrative system on corporate administration

- To explain the key lawful system for corporate administration in India, annual accounts and accounting standards

20.2 INTRODUCTION

Accounting Standards & to expertise Good Corporate Governance, intelligence should be adapted and disclosed in harmony with noble disposition standards of narration and fiscal exposure. This newspaper, accurately debated the pertinent Accounting Standards and such Art in India, to appraise power and fairness, power-à-force Good Corporate Governance with Accounting Disclosures.

Great Corporate Governance guarantees better corporate execution, relationship with partners, where the best possible act of Accounting Standards accept gigantic significance at miniaturised scale level, as viable divulgence

prompts investors' riches amplification and at large scale level, they are fundamental to the proficient working of the economy since choices about the portion of assets / speculation depend on solid, succinct, straightforward, equivalent and reasonable money related data about the corporate activities and budgetary position.

20.3 ACCOUNTING STANDARDS & ACCOUNTING DISCLOSURES

Business endeavors are built up for the benefit, yet as they utilise assets provided by the society/State and condition and subsequently are responsible to contribute some portion of the benefit to society what's more, condition moreover. Present day perplexing and huge organisations are controlled by the people (experts) other than providers of the store. This makes irreconcilable circumstances, among administrators versus partnership what's more, partnership versus society/condition. One favors activity for its own advantage versus organisation and advantage of organisation versus society. It is acceptable administration that blends dissemination of advantage wisely among the diverse partner without individual inclination. The significance of good Corporate Governance has been progressively perceived for improving the company's seriousness, better corporate execution and better relationship with all partners, advanced organisations are known for the partition of possession and control.

All things considered, the administrators are just paid workers and the organisation hypothesis instructed us that the autonomous directors can work in a manner that could be hindering to the interests of the investor. It is, in this manner essential, to have an instrument by which the investors' advantages are secured by the administrators.

20.3.1   Bookkeeping Records

Organisations must keep adequate bookkeeping records to clarify the organisation's exchanges and its monetary situation, in different words so a benefit and misfortune record and monetary record can be readied. An organisation is required to continue bookkeeping records adequate to appear and clarify the organisation's exchanges. At any time, it should be conceivable:

- To unveil with sensible precision the organisation's money related situation at time periods more than six months
- For the chiefs to guarantee that any records required to be readied consent to the Act and Universal Accounting Standards Certain particular records are required by the Act. (a) Daily passages of entireties paid and got, with

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subtleties of the source and nature of the exchanges (b) A record of advantages and liabilities (c) Statements of stock held by the organisation toward the finish of each monetary year (d) Statements of stocktaking to back up the records in (c), (e) Statements of products purchased and sold (aside from retail deals), along with subtleties of purchasers and merchants adequate to distinguish them

- The prerequisites (c) to (e) above apply just to organisations engaged with managing merchandise.
- Bookkeeping records must be saved for a long time (on account of a privately owned business), and six years in that of an open one.

Bookkeeping records ought to be stayed with at tie's enrolled office or at some other spot thought fit by the chiefs. Bookkeeping records ought to be available for examination by the organisation's officials. Investors have no legal rights to examine the records, despite the fact that they might be allowed the privilege by the articles. Disappointment in regard to these obligations is an offence by the officials in default.

20.3.2   Yearly Records

An enrolled organisation must plan yearly records indicating a valid and reasonable view, lay them and different reports previously individuals, and record them with the Registrar following executives' endorsement. For each bookkeeping reference period (generally a year) of the organisation, the chiefs must get ready records. Where they are set up in Companies Act design they should incorporate an announcement of budgetary position (asset report) and pay explanation (benefit and misfortune account) which give a valid and reasonable perspective on the individual organisation's and the gathering's

- Assets
- Liabilities
- Financial position
- Profit or misfortune

The records can either be in Companies Act design or arranged as per International Accounting Standards. Where universal bookkeeping measures have followed a note with this impact must be remembered for the notes to the accounts. Most privately owned businesses are allowed to record truncated records.

20.3.3   Corporate Governance Framework in India

Since the time India's greatest ever corporate misrepresentation and administration disappointment uncovered at Satyam Computer Services

Limited, the worries about great Corporate Governance has expanded amazingly. Universally, there have been a lot of discussions continuing for a long while. The well-known Cadbury Committee characterised "Corporate Governance" in its Report (Financial Aspects of Corporate Governance, distributed in 1992) as "the framework by which organisations are coordinated and controlled". The Organisation for Economic Cooperation and Development (OECD), which, in 1999, distributed its Principles of Corporate Governance gives an exhaustive meaning of corporate administration, as under:

"There are several ties between an organisation and its management, as well as its board of directors, investors, and other partners. Corporate administration additionally gives the structure through which the targets of the organisation are set, and the methods for accomplishing those destinations and observing execution are resolved. Great corporate administration ought to give legitimate impetuses to the board and the executives to seek after destinations that are in light of a legitimate concern for the organisation and investors, and should encourage compelling observing, along these lines urging firms to utilise resources all the more productively."

For the most part, Corporate Governance alludes to rehearses by which associations are controlled, coordinated and administered. The key worry of Corporate Governance is to guarantee the conditions whereby association's executives and chief's act in light of a legitimate concern for the association and its partners and to guarantee the methods by which administrators are considered responsible to capital suppliers for the utilisation of benefits. To accomplish the goals of guaranteeing reasonable corporate administration, the Government of India has set up a legal system.

20.3.4 Administrative System on Corporate Administration

The Indian legal system has, all things considered, being in consonance with the worldwide accepted procedures of corporate administration. Comprehensively, the corporate administration system for organisations in India is counted in the accompanying establishments/guidelines/rules/posting understanding:

1. The Companies Act, 2013 bury Alia contains arrangements identifying with board constitution, executive gatherings, board forms, autonomous chiefs, comprehensive gatherings, review advisory groups, related gathering exchanges, divulgence necessities in budget summaries, and so on.

2. Protections and Exchange Board of India (SEBI) Guidelines: SEBI is an administrative authority having purview over recorded organisations and

which issues guidelines, rules and rules to organisations to guarantee the assurance of speculators.

3. Standard Listing Agreement of Stock Exchanges: For organisations whose offers are recorded on the stock trades.

4. Bookkeeping Standards given by the Institute of Chartered Accountants of India (ICAI): ICAI is a self-governing body, which issues bookkeeping principles giving rules to exposures of money related data. Segment 129 of the New Companies Act entomb Alia gives that the budget summaries will give a valid and reasonable perspective on the situation of the organisation or organisations, agreeing to the bookkeeping norms told under 133 of the New Companies Act. It is additionally given that things contained in such fiscal reports will be as per the bookkeeping measures.

5. Secretarial Standards given by the Institute of Company Secretaries of India (ICSI): ICSI is a self-sufficient body, which issues secretarial measures as far as the arrangements of the New Companies Act. Up until now, the ICSI has given the Secretarial Standard on "Gatherings of the Board of Directors" (SS-1) and Secretarial Standards on "Comprehensive gatherings" (SS-2). These Secretarial Standards have come into power w. e. f. July 1, 2015. Segment 118(10) of the New Companies Act states that each organisation (other than one individual organisation) will observe Secretarial Standards determined as such by the ICSI concerning general and executive gatherings.

20.3.5 Key Lawful System for Corporate Administration in India

The Companies Act, 2013: The Government of India has as of late informed Companies Act, 2013 ("New Companies Act"), which replaces the recent Companies Act, 1956. The New Act has a more noteworthy accentuation on corporate administration through the board and board forms.

SEBI has revised the Listing Agreement with impact from October 1, 2014, to adjust it to the New Companies Act. Statement 49 of the Listing Agreement can be supposed to be a striking activity towards reinforcing corporate administration among the recorded organisations. This Clause expects to place a check over the exercises of organisations so as to spare the enthusiasm of the investors. Extensively, cl 49 accommodates the accompanying:

1. Top managerial staff: The Board of Directors will include such a number of least free executives, as endorsed. In the event that was, the Chairman of the Board is a non-official chief, at any rate 33% of the Board will contain autonomous executives and where the Chairman of the Board is an official chief, at any rate, half of the Board will include free executives. A relative of

an advertiser or an official executive will not be viewed as an autonomous chief.

2. Review Committee: The Audit Committee to be set up will include at least three chiefs as individuals, 66% of which will be autonomous.

3. Revelation Requirements: Periodical revelations identifying with the monetary and business exchanges, compensation of chiefs, and so on, to guarantee straightforwardness.

4. President/CFO Certification: To affirm to the Board that they have looked into the budget summaries and the equivalent are reasonable and in consistency with the laws/guidelines and acknowledge obligation regarding inner control frameworks.

5. Report and Compliance: A different area in the yearly report on consistency with Corporate Governance, quarterly consistency report to stock trademarked by the consistency official or CEO, the organisation to uncover consistency with non-obligatory necessities in yearly reports.

20.4 ANNUAL ACCOUNTS

A registered company must prepare annual accounts showing a true and fair view, lay them and various reports before members, and file them with the Registrar following directors' approval. For each accounting reference period (usually 12 months) of the company, the directors must prepare accounts. Where they are prepared in Companies Act format they must include a statement of financial position (balance sheet) and income statement (profit and loss account) which give a true and fair view of the individual company's and the groups:

- Assets

- Liabilities

- Financial position

- Profit or loss

The accounts can either be in Companies Act format or prepared in accordance with International Accounting Standards. Where international accounting standards have followed a note to this effect must be included in the notes to the accounts. Most private companies are permitted to file abbreviated accounts.

The company's board of directors must approve the annual accounts and they must be signed by a director on behalf of the board. When directors approve

annual accounts that do not comply with the Act or IAS they are guilty of an offence. A public company is required to lay its accounts, and the directors' report, before members in general meetings. A quoted company must also lay the directors' remuneration report before the general meeting. A company must file its annual accounts and its report with the Registrar within a maximum period reckoned from the date to which the accounts are made up. The standard permitted interval between the end of the accounting period and the filing of accounts is six months for public and nine months for a private company.

The accounts must be audited. The auditors' report must be attached to the copies issued to members, filed with the Registrar or published. Exemptions apply to small and dormant companies, though members may require an audit. The accounts must also be accompanied by a directors' report giving information on a number of prescribed matters. These include (where an audit was necessary) a statement that there is no relevant information of which the auditors are unaware, and another statement from the directors that they exercised due skill and care in the period. Quoted companies must submit the directors' remuneration report.

Each member and debenture holder is entitled to be sent a copy of the annual accounts, together with the directors' and auditor's reports. In the case of public companies, they should be sent at least 21 days before the meeting at which they shall be laid. In the case of private companies, they should be sent at the same time as the documents are filed, if not earlier.

20.5 ACCOUNTING STANDARDS

Objectives and Functions of the Accounting Standards Board

1.   The following are the objectives of the Accounting Standards Board:

☐ To conceive of and suggest areas in which Accounting Standards need to be developed.

☐ To formulate Accounting Standards with a view to assisting the Council of the ICAI in evolving and establishing Accounting Standards in India.

☐ To examine how far the relevant International Accounting Standard/International Financial Reporting Standard (see paragraph 3 below) can be adapted while formulating the Accounting Standard and to adapt the same.

☐ To review, at regular intervals, the Accounting Standards from the point of view of acceptance or changed conditions, and, if necessary, revise the same.

☐ To provide, from time to time, interpretations and guidance on Accounting Standards.

☐ To carry out such other functions relating to Accounting Standards.

2. The main function of the ASB is to formulate Accounting Standards so that such standards may be established by the ICAI in India. While formulating the Accounting Standards, the ASB will take into consideration the applicable laws, customs, usages and business environment prevailing in India.

3. The ICAI, being a full-fledged member of the International Federation of Accountants (IFAC), is expected, inter alia, to actively promote the International Accounting Standards Board's (IASB) pronouncements in the country with a view to facilitate global harmonisation of accounting standards. Accordingly, while formulating the Accounting Standards, the ASB will give due consideration to International Accounting Standards (IASs) issued by the International Accounting Standards Committee (predecessor body to IASB) or International Financial Reporting Standards (IFRSs) issued by the IASB, as the case may be, and try to integrate them, to the extent possible, in the light of the conditions and practices prevailing in India.

4. The Accounting Standards are issued under the authority of the Council of the ICAI. The ASB has also been entrusted with the responsibility of propagating the Accounting Standards and of persuading the concerned parties to adopt them in the preparation and presentation of financial statements. The ASB will provide interpretations and guidance on issues arising from Accounting Standards. The ASB will also review the Accounting Standards at periodical intervals and, if necessary, revise the same.

20.6 APPENDIX

Comparison of Indian AS with IFRS (Indian Accounting Standard with International Financial Reporting Standards)

Ind AS IAS IFRS	Difference
Ind AS 1 Presentation of Financial Statements	a) Differences in terminology (ex. Ind AS uses the term balance sheet, IFRS uses statement of financial position) b) Recent amendments to IFRS (ex. 'Disclosure Initiatives' of IAS 1) not seen in Ind AS yet. c) Whether long-term liabilities upon breach of certain

	covenants are pronounced as current even if the lender has agreed after the reporting period but before the approval of financial statements to not demand payment as a consequence of the breach. (IFRS says it should still be current, Ind AS says it should not be)
Ind AS 7 Statement of Cash Flows	a) Interest and dividends in IFRS may be classified as operating, investing and financing in a manner consistent from period to period. Ind AS has stringent rules (similar to its predecessor Indian GAAP) where the rules are different for financial entities when compared to other entities. For financial entities, interest paid/received and dividend received are operating activities whereas dividend paid is a financing activity. For other entities, interest and dividends received are investing activities whereas interest and dividends paid are financing activities.
Ind AS 10 Events after the Reporting Period	a) The difference is similar to the one described for Ind AS 1 above. The agreement of the lender in IFRS is not considered an adjusting event whereas in Ind AS, it would be considered one
Ind AS 12 Income Taxes	a) In Ind AS, one cannot measure investment property using the fair value model the same way one can in IFRS. b) In business combinations, if the carrying amount of goodwill is zero, any remaining deferred tax benefit in IFRS is recognised in profit or loss. In Ind AS, they are recognised in

	OCI and accumulated in equity as capital reserve or recognised directly in capital reserve (dependent on several factors).
Ind AS 17 Leases	a) A property interest in an operating lease is recognised and accounted for in IFRS using the fair value model. Ind AS does not use the fair value model. b) In IFRS, lease income from operating leases should be recognised on a straight-line basis. Ind AS 17 contains an addition for escalation of lease rentals based on inflation. Since the function of these escalations is to protect the lessor from inflation, these lease payments should not be straight-lined by both the lessor and lessee.
Ind AS 19 Employee Benefits	a) Post-employment benefit obligations are recognised in IFRS as being discounted by a discount rate determined by referring to market yields on high quality corporate bonds at the end of the reporting period. Since India does not have a deep market for such bonds, it uses market yields of government bonds as a reference to determining the discount rate.
Ind AS 20 Accounting for Government Grants and	a) When it comes to government grants related to assets, IFRS puts them in the statement of financial position either as deferred income or deducting the grant from the carrying amount of the asset. In Ind AS, these grants (including non-monetary grants at fair value) should be presented in the balance sheet only as deferred income.

Disclosure of Governmental Assistance	b) Non-monetary government grants can be classified either at fair value or nominal amount by IFRS (both asset and grant). In Ind AS, they are classified only at fair value.
Ind AS 21 The Effects of Changes in Foreign Exchange Rates	a) When it comes to change in functional currency, IFRS asks for the fact and reason for change as disclosures. Ind AS 21 asks for the same as well as additionally disclosing the date of change. b) During the beginning of convergence, companies adopting Ind AS are allowed to use the policy used by the previous year to account for exchange differences arising from the translation of long-term foreign currency Monetary items.
Ind AS 24 Related Party Disclosures	a) IFRS is more relaxed in its definition of a close member of the family. Ind AS 24 insists on including father, mother, brother and sister in the definition of close members. b) Ind AS 24 indicates that disclosures which conflict with confidentiality requirements of statutes are not required to be made. IFRS requires some amount of disclosures from such entities
Ind AS 28 Investments in Associates and Joint Ventures	a) In IFRS, any excess of the investor's share of net fair value of the associate's identifiable assets and liabilities over the cost of investments is included as income in the statement of profit and loss in the same period. In Ind AS 28, it is recognised directly in equity as capital reserve in the same period. b) Uniform accounting policies are required in IFRS, with no

	exception. In Ind AS 28, they are followed unless proven to be impracticable to do so.
	c) As mentioned earlier, Ind AS prohibits the use of equity methods in separate financial statements for investments in subsidiaries. Only the cost method can be used.
Ind AS 29 Financial Reporting in inflationary Economies	a) Disclosure requirements in IFRS are the fact that the financial statements are stated in terms of measuring unit current at the end of reporting period, whether financial statements are based on historical cost approach or a current cost approach and the identity and level of the price index at the end of the reporting period. In addition to this, Ind AS 29 requires another disclosure indicating the duration of the hyperinflationary situation.
Ind AS 32 Financial Instruments Presentation	a) When it comes to the conversion option embedded in foreign currency convertible bonds, IFRS only recognises equity in the entity's functional currency. Therefore, it should be fair valued at the end of every reporting period using profit and loss as a tool. In Ind AS 32, one can acquire a fixed amount of shares in any currency. Therefore, there is no requirement to use fair value to measure.

Ind AS 33 Earnings Per Share	a) Ind AS 33 needs all companies issuing ordinary shares applicable to the Companies Act to provide EPS. IAS 33 is applicable "to the separate and consolidated financial statements of an entity/group with a parent: i) whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or ii) that files, or is in the process of filing, its financial statements with a securities commission or other regulatory

Organisation for the purpose of issuing ordinary shares in a public market."

b) When an entity shows both consolidated and separate financial statements, IFRS requires EPS to be included only in the consolidated statements, with voluntary requirements in separate ones. In Ind AS 33, EPS is to be presented in both.

c) In Ind AS 33, cases where any item of income or expense which is usually recognised in profit or loss is debited or credited to the securities premium account or other reserves, profit or loss from continuing operations should be respectively adjusted to calculate a proper EPS. This is not required in IFRS.

Ind AS 38 Intangible Assets	a) IFRS recently introduced a rebuttable option that changes the fact that revenue is not an appropriate option to amortise an intangible asset. This option is only permitted when the intangible asset is expressed as a measure of revenue or when revenue and usage of the asset have high correlation. Ind AS 38 also employs this but adds another facet which allows entities to continue using the same amortization policy of intangible

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	Assets related to service concession arrangements when it comes to toll roads recognised in the period just before adoption of Ind AS.
Ind AS 40 Investment Property	a) In IFRS, investment property is initially measured at cost, with subsequent measurements being either at cost or fair value. If it is fair value, changes in it should be recognised in profit and loss. In Ind AS 40, the fair value model is not permitted.
Ind AS 101 First Time Adoption of Ind AS	a) In IFRS, there is no permission of previous GAAP carries values of P, P&E with the exception of certain special oil and gas assets as well as rate regulated assets. In Ind AS 101, entities have the option to use previous Indian GAAP values for P, P&E as well as intangible assets and investment properties. b) For non-current assets held for sale and discontinued operations, IFRS provides no exemption whereas Ind AS 101 gives companies some leeway. They are allowed to measure these assets or operations at the lower of carrying value and fair value less cost to sell. c) For lease classification, no exemption is provided by IFRS. In Ind AS, similar to b), transitional relief is provided which allows companies to look at their earlier data to assess whether it is an operating or financing lease. For any land lease recently classified as a finance lease, assets and liabilities are recognised at fair value on the convergence date, with any difference recognised in

	retained earnings.
	d) For business combinations, both IFRS and Ind AS provide exemptions in different ways when it comes to the non-application retrospectively to past business combinations. If the exemption is taken in IFRS, any intangible asset that does not qualify under 38 is reclassified as a component of goodwill. In Ind AS, these amounts can be adjusted using the capital reserve up to the point that the amounts don't exceed it.
	e) As aforementioned, Ind AS provides exemption for treatment of exchange differences arising from translation of long-term foreign currency monetary items. There is no such exemption in IFRS.
Ind AS 103 Business Combinations	a) Ind AS 103 includes for the accounting of entities under common control, one where the acquirer cannot be determined. The pooling of interests method is used for common control, something prohibited in IFRS. The pooling of interests method will be talked about later.
	b) When it comes to negative goodwill, the resulting gain is recognised in profit or loss as a bargain purchase in IFRS. In Ind AS, the gain is recognised in OCI and accumulated as a capital reserve in equity.
Ind AS 110 Consolidated Financial Statements	a) Investment property measurement by investment entities in IFRS is done on a fair value basis. This is not allowed in Ind AS, which measures it at cost initially and cost less depreciation subsequently.

Ind AS 114 Regulatory Deferral Accounts	a) IFRS does not require adoption of IFRS 14, but once it is adopted, one must continue to use it for the subsequent financial statements. Ind AS 114 allows "an entity subject to rate regulation coming into existence after Ind AS coming into force or an entity whose activities become subject to rate regulation subsequent to preparation and presentation of first Ind AS financial statements" should be allowed to use previous GAAP rules.
Ind AS 115 Revenue from Contracts with Customers	a) Variable considerations are measured differently in IFRS and Ind AS 115. However, Ind AS accounts for penalties as per the substance of the contract. IFRS does not do this.

20.7 SUMMARY

To rehearse Good Corporate Governance, data ought to be arranged and uncovered in understanding with excellent norms of bookkeeping and money related and non-monetary exposure. This paper, fundamentally inspect the significant Accounting Standards and such practices in India, to assess intensity and decency opposite Good Corporate Governance. Bookkeeping Standards ought to be explored in the light of new turn of events (specialised, money related, lawful, conservative and fakes) and universal practices. The Accounting Standards ought to blend with global principles as well as with other pertinent corporate and tax assessment enactment. To fuse social equity, ecological issues, financial changes and social setting, versus to make proficient chiefs and executives progressively responsible to investors and different partners Accounting Standards should limit the decision of elective bookkeeping rehearses that make reasonable exposure of bookkeeping and budgetary data. In the light of above, it is recommended that reasonable divulgence, genuine activities, autonomy, materiality and vision to feasible advancement of organisation and society ought to be woven along with dynamic yet exact Accounting Standards. The bookkeeping measures should draft accurately to forestall misuse of key partners across various sorts of association extending from open segment units to family-observed ventures. Other than straightforwardness, freedom, irreconcilable situations and so on,

bookkeeping standards ought to likewise reflect respectability, effectiveness and honesty in money related explanations. It is likewise befuddling that the Government of India has reported one more arrangement of AS, yet, not told its pertinence. As opposed to making more specialists and Accounting Principles, inward harmonisation ought to be respected. The Bookkeeping Standard of ICAI and Administration of India have distinctive methodology and definitions, which doesn't fill the fundamental need of practicality, straightforwardness and objectivity.

20.8 SELF-ASSESSMENT QUESTIONS

1. What do you understand by the Accounting Standard?
2. Compare India AS with IFRS in detail.
3. What is the Key Lawful System for Corporate Administration in India?
4. How do we prepare Annual Accounts?
5. Explain Corporate Governance Framework in India.
6. What is the Yearly Record & Why it is important?
7. What do you understand about Accounting Disclosures?
8. Comparison between Indian Accounting Standard with International Financial Reporting Standards?

20.9 TEXT AND REFERENCES

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