

# Rizvi College of Arts, Science and Commerce

**SUBJECT: Business Ethics and Corporate Governance**

**TOPIC: Introduction to Business ethics**

**CLASS: TYBBI**

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Chapter 01

# INTRODUCTION TO BUSINESS ETHICS

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# Ethics

## Meaning and Definition

The term 'ethics' is derived from the Greek word 'ethos' which means character. Ethics are the principles of conduct governing an individual or a group. Ethics concerns attempts to distinguish 'right' from 'wrong', 'good' from 'bad' and constitution of desirable conduct in a particular set of social circumstances.



Definition of ethics by Churchill "ethics as the application of moral values or codes to complex problems using a rational decision making process."

# Nature of Ethics

The nature of ethics is as follows:

- 1) A normative science
- 2) Self-imposed
- 3) Morality
- 4) Discipline
- 5) It is not a Religion
- 6) It is not culturally accepted norms
- 7) It is not a Science





## Requirement of ethics study

The Need of study ethics can be:

1. To recognize and resolve moral dilemma.
2. To achieve moral autonomy.
3. Enhance the knowledge of relevant standards.
4. Develop an appreciation of ethical threats.
5. Improve professional judgement. Etc.

## Golden Rule of Ethics:

The following are the forms of the golden rule in ethics. Each of these forms the basis of all human values.

1. Everything you want others to do to you, you should do to others.
2. Do not do to others anything, which you do not wish them to do to you.
3. Do not do anything to others that, if done to you, would cause harm to you.

# ETHICS VERSUS MORALS

Guiding principles of conduct of an individual or group	Principles on which one's judgments of right and wrong are based
Influenced by profession, field, organization, etc.	Influenced by society, culture and religion
Related to professional work	Not related to professional work
Uniform compared to morals	Vary according to different cultures and religions

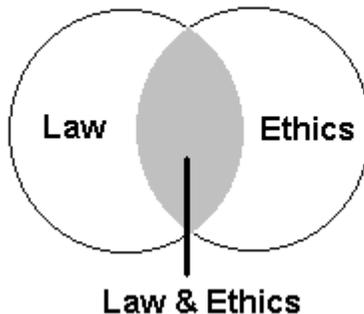
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## MORALITY V/S ETHICS

Both **morality** and **ethics** loosely have to do with distinguishing the difference between “good **and** bad” or “right **and** wrong.” Many people think of **morality** as something that's personal **and** normative, whereas **ethics** is the standards of “good **and** bad” distinguished by a certain community or social setting.

## Ethics and legality

Relationship Between Law and Ethics



**Legal** standards are those standards that are set forth in governmental **laws**. **Ethical** standards are based on the human principles of right and wrong. **Legal** standards are based on written law, while **ethical** standards are based on human rights and wrongs. Something can be **legal** but not **ethical**.

Basis of difference	Ethics	Morals
Meaning	Ethics relates to what is good or bad, moral duties and obligations.	Moral relates to principles of right and wrong.
Root word & analysis	Greek word 'ethos' meaning 'character' character is a personal attribute.	Latin word 'mos' meaning customs. Custom is an attribute of a group of society.
Nature	Ethics are accepted because these arise from personally accepted principles.	Morals are accepted due to an authority which may be religious or cultural.
Scope	Ethics is much wider in scope. It examines the moral standards of a group or society to determine whether these standards are reasonable or unreasonable in concrete situation.	Morals are in smaller scope than ethics. It addresses human need for belonging and emulation.
Expression	Ethical norms are comparatively abstract. It cannot be described in general rules and regulations.	Moral norms are usually expressed as general rules and statements. Ex. "always tell the truth."
Absorption	Ethics are adopted or absorbed by an individual gradually by taking reasonable decision in appropriate situations.	Morals are typically adopted or absorbed since childhood from family, friends, school, religion, religious leader and so on.





# BUSINESS ETHICS

## Meaning of business ethics:

Business ethics is applied ethics. It is the application of our understanding of what is good and right to those assortments of institutions, technologies, transactions, activities and pursuits that we call business.

## Definition of business ethics:

According to William Shaw “business ethics deals with morality in business environment. It involves moral judgement based on understanding of the society. It extends beyond the legal questions and involves goodness and badness of an act.”





# Sources of Business Ethics:

<b>1) Personal ethics</b>	<b>a. Beliefs and values b. Moral development c. Ethical framework</b>
<b>2) Organizational culture</b>	<b>a. Founder b. History c. Defining moments d. Stories of development</b>
<b>3) Organizational systems</b>	<b>a. Structure b. Policies and rules c. Code of ethics d. Reward system e. Selection and training</b>
<b>4) External stakeholders</b>	<b>a. Government regulations b. Customers c. Special interest groups d. Market forces</b>

# Basic underlying principles of business ethics:

As per other few researchers on business ethics there are six broad principles on which business ethics is built:

- (1) Harm principle
- (2) Fairness principle
- (3) Human rights principle
- (4) Autonomy principle
- (5) Reality principle
- (6) Stakeholder principle



## **Factors influencing Business Ethics:**

- Cultural differences
- Knowledge
- Organizational behavior

## **Importance of Business Ethics:**

- 1) Moral consciousness
- 2) Self-interest
- 3) Environmental pressure
- 4) Legal imperative

## Features of Business ethics:

The important features are as follows:-

1. Related to human aspects and conduct of business.
2. It is as old as human civilization and deep rooted to society.
3. It develops dignity to stakeholders.
4. Lays support to social welfare functions.
5. Provides code of business conduct and basic functional frame.
6. Acts as guiding principles of business.

Three R's (3  
R's) of  
Business  
Ethics:

The three pillars of  
business ethics,  
according to thinkers  
and authors are :

- RESPECT
- RESPONSIBILITY
- RESULTS

# Advantages of Business Ethics:

**The advantages of business ethics are as follows:-**

1. Enhancement of society
2. Maintaining moral course in turbulent period
3. Strong teamwork and productivity
4. Employee development
5. Guarantee that policies are legal
6. Compliance with law
7. Total quality management
8. Diversity Management
9. Strengthen the business



THANK YOU