Department of Commerce

University of Calcutta

Study Material

Cum

Lecture Notes

Paper: CC.304: Business Ethics and Corporate Governance (BECG)

Study Material for

M.Com. Programme Semester 3
Paper 304 (BECG): Module 1—Business Ethics

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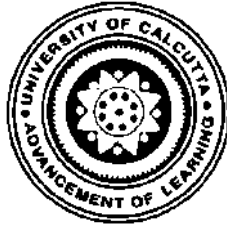
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LEARNING OUTCOMES

The syllabus consists of *four* distinct units, highlighting the *four* major learning outcomes for the student, namely:

1. **Introduction to fundamental concepts that help clarify the nature of business ethics as a field of study;**
2. **Contextualization of business ethics within large multi-stakeholder corporate organizations;**
3. **Evaluation of ethical reasoning frameworks by their application in business problem-solving; and**
4. **Understanding why and how business ethics is managed in business enterprises**

SYLLABUS-25 Marks

Unit-1: <u>Introducing Business Ethics</u> (35% of syllabus)
   i.   The need for and nature of business ethics
   ii.   Characteristics of ethically driven business enterprises
   iii. Ethics versus law; ethics versus morality
   iv. Levels of ethical analysis
   v.   Concept of corporate integrity
   vi. Ethical leadership
   vii. Kohlberg's model of human moral development—comparison of masculine and feminine perspectives

Unit-2: <u>Contextualizing Business Ethics</u> (20% of syllabus)
   i.   Concept of stakeholder and stakeholder salience
   ii.   Stakeholder Theory of the Firm-various forms
   iii. Corporate Social Responsibility (CSR)—need and significance
   iv. Carroll's CSR Pyramid

Unit-3: <u>Evaluating Business Ethics</u> (30% of syllabus)
   i.   Ethical decision-making—Ethical dilemma versus ethical issue
   ii.   Characteristics of ethical dilemmas
   iii. Stages in ethical decision-making
   iv. Individual and situational factors influencing ethical decision-making
   v.   Ethical reasoning approaches—the teleological approach, the deontological approach, the virtue ethics approach, the systems development approach
   vi. Ethical universalism, ethical relativism and ethical pluralism.

Unit-4: <u>Managing Business Ethics</u> (15% of syllabus)
   i.   Need for business ethics management
   ii.   Components of business ethics management
   iii. Different approaches to managing business ethics
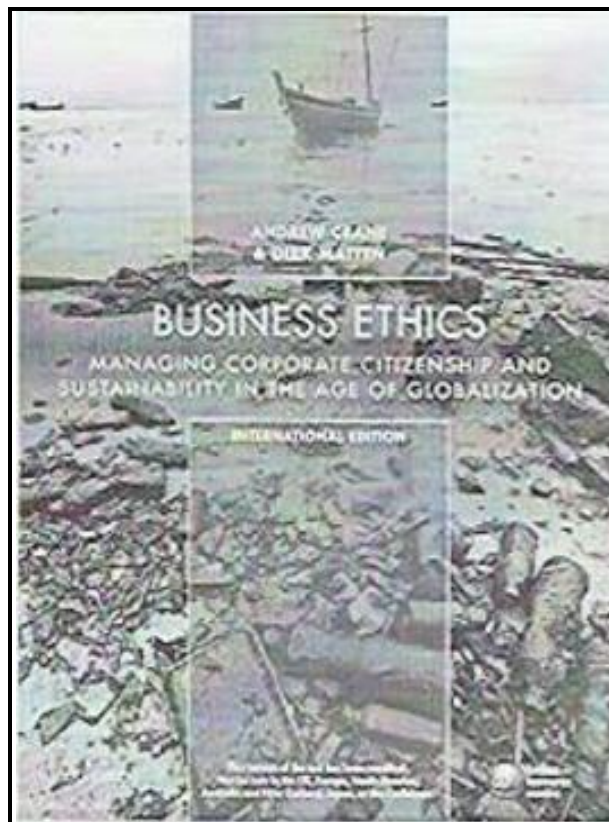
Recommended Text-book

Name of Book—Business Ethics: Managing Corporate Citizenship and Sustainability in the Age of Globalization
Authors—Andrew Crane and Dirk Matten
Publisher—Oxford University Press
Edition—4th International Edition (2016)
ISBN: 978-0-19-875596-8

Unit-1: <u>Introducing Business Ethics</u>

☐ **The Importance of /Need for Business Ethics**

Business ethics is becoming increasingly important area of study in business management for the following reasons:

- Business has immense power within society, impacting every aspect of the lives of individuals and the democratic process of governments.
- Business has the potential to make a major positive contribution to our societies.
- On the flip side, business irresponsibility and malpractices can potentially inflict enormous harm on individuals, communities and the natural environment.
- The demands being placed by various stakeholders for ethical business behaviour and practice are becoming more complex and challenging.
- Employees face significant pressure for non-compliance with ethical standards.
- Business faces a trust deficit.

☐ **The Nature of Business Ethics**

Ethics is a branch of philosophy that is concerned with the analysis of what is good, right and just. Accordingly, business ethics refers to the management sub-discipline that focuses on the study of business situations, decisions and activities in which issues of moral (not financial, strategic or commercial) right and wrong are questioned, considered, and reflected upon. It aims to create an awareness in business leaders, managers and employees, of the need to fulfil moral duty by compliance with the basic principles of morality, customs and expectations of the community, laws of the land, organizational policies and rules, as well as everybody's needs for fairness. It directs attention to an understanding of the impacts of products, services, and actions on all those who have a stake in the organisation (employees, customers, investors, regulators, local communities, and society as a whole).

Business Ethics is applicable to all organizations, including for-profit commercial organizations, not-for profit businesses, government organizations, charities and pressure/activist groups. However, the nature of business ethics in different organisational contexts may vary in terms of (i) priorities in addressing ethical issues, (ii) approach to managing ethics, (iii) accountability to stakeholders, and (iv) major constraints encountered.

☐ **Characteristics of Ethically Driven Organisations**

Ethically driven enterprises recognise the moral dimension of every aspect of organizational life for improved ethical performance. They may be identified as having the following characteristics:

i. They view business as a primary pillar of society.
ii. They are guided by an underlying social or institutional logic aligned with economic logic.
iii. They internalize externalities within decision-making frameworks that use human and societal values as important evaluative criteria.
iv. Their purpose and values built serve as a buffer against uncertainty and change.
v. They generate a long-term perspective for justifying any short-term financial sacrifices necessary to endure over time.

vi.   They transmit strong institutional values that can evoke emotional engagement.

vii.   They emphasize formation of public-private partnerships to integrate societal and business interests.

viii.   They seek new sources of innovation to articulate a broader corporate purpose beyond making money.

ix.   They assume that they can trust people, rely on relationships, and treat employees as self-determining professionals.

(Source: Rosabeth Moss Kanter: *What Great Companies Do Differently*, Harvard Business Review November 2011)

☐ Ethics versus Law

Law often represents an ethical minimum—the minimum acceptable standards of behaviour. Ethics represents a standard that exceeds the legal minimum. Law is necessary as a guide to managerial decisions and actions but it is not enough. It does not explicitly cover every possible ethical issue in, or outside of business. Business ethics may be viewed as beginning where law ends, covering those issues that law does not address. Discussions about the ethics of specific business practices may ultimately lead to legislation if some kind of consensus is reached. Thus, business ethics considers the "grey" areas of business, where values are in conflict.

☐ Ethics versus Morality

Ethics is concerned with the study of morality and the application of reason to elucidate specific principles and rules that determine morally acceptable courses of action. Ethical theories serve to codify these principles and rules. Morality focuses upon the norms, values, and beliefs embedded within social processes that distinguish right from wrong for an individual and/or a community. Thus, morality precedes ethics, which, in turn, precedes ethical theory. Ethics seeks to systematize and rationalize morality into generalized normative rules that can serve to provide solutions to situations of moral uncertainty. The result of such codification of rules is ethical theory, e.g., theory of justice.

☐ Levels of Ethical Analysis

The three levels of ethical analysis are:
   i.   Macro: Global/world social, economic, political and legal contexts
   ii.   Molar: Ethical issues encountered within organizational and between institutions
   iii.   Micro: Individual behaviour and group conduct