

## UNIT – VI

### Corporate Governance:

- In narrow sense, corporate governance deals with maximizing the shareholder's wealth.
- In broader perspective, it considers the welfare of the all stakeholders and the society.
- Ethics, It is a branch of philosophy and is considered as a normative science because it is concerned with the norms of human conduct.
- Ethics is a conception of right and wrong behavior, defining for us when our actions are moral and when immoral

### Business Ethics:

- Business is the art and discipline of applying ethical principles to examine and solve complex moral dilemmas.
- A business is considered to be ethical only if it tries to reach a trade-off between pursuing economic objective and its social obligations.

### Importance of Business

- Ethics is all about developing trust maintaining it fruitfully so that the firm flourishes profitably and maintain good reputation. Trust leads to predictability and efficiency of the business.
- Trust is used as a indicator variable of ethics. Basically trust is three dimensional i.e., trust in supplier relationships, trust in customer relationships, and employee relationships.
- If the company is able to maintain trust Relationship with all stakeholders, then we call that company an ethical company
- Boeing, J&J, Tata Steel and Ford are the companies which succeeded in following in ethical practices.

### Unethical Issues:

- There must be a strong corporate governance to control the unethical issues and activities.
  1. **Bribery:** Accepting bribe create a conflict of interest between the person receiving bribe and his organization. And this conflict would result in unethical practices.
  2. **Coercion:** It is forcing a person to do things which are against his personal believes. E.g. blocking a promotion, loss of job or blackmailing.

3. **Insider Trading:** Insider trading is misuse of official position. Here the employee leaks out certain confidential data to outsiders or other insiders which effect the reputation and performance of company.
4. **Conflicts of Interest:** Conflict of interest when Private interests are important for employees which are against the desire of employer.
5. **Unfair Discrimination:** Unfair treatment or given privileges to persons on the base of race, age, sex, nationality or religion. It is failures to treat all persons equally.
6. **Political Donations and Gifts:**
  - Gifts, donations or contribution to political leaders or parties to get any unconditional act done e.g. sanctioning of any special contract, issue of licenses etc.
  - Presentation of false returns of income and statements
  - It is to prepare false income returns and statements of accounts for evasion of tax and getting various govt. benefits and incentives.
  - Accumulation of profits by illegal means
  - Sometimes business undertakes various unethical and unconstitutional activities to maximize its profits e.g. hoarding of goods, black marketing, speculation etc.

#### **CHARACTERISTICS OF ETHICAL ORGANIZATONS:**

- Ethical organizations are based on the principle of fairness.
- All stakeholders are treated equally without any discrimination.
- Benefit of stakeholders in given precedence over own interest.
- There is clear communication in ethical organizations.
- What is to be done, how it is to be done is clearly stated.
- No bureaucracy.
- Minimum bureaucracy and high control helps in implementing business ethics easily.
- Compliance with applicable laws. E.g., rules made by SECP, federal government, etc.
- Honesty, fairness and accuracy in operations.

## **CATEGORIES OF CODE OF ETHICS FOR EMPLOYEES:**

### **Category 1**

#### **“Be a dependable organization citizen”:**

- Demonstrate honesty and fairness in relationships with customers, suppliers and employees.
- Be reliable in attendance and punctuality.
- Comply with safety, health and security regulations.

### **Category 2**

#### **“Don’t do anything unlawful or improper that will harm the organization”:**

- Maintain confidentiality of customer, employee and corporate records and information.
- Avoid outside activities which conflict with or impair the performance of duties.
- Make decisions objectively without regard to friendship or personal gain.
- Do not provide false or misleading information to corporation or government agency.

### **Category 3**

#### **“Be good to customers and suppliers”:**

- Strive to provide products and services of highest quality.
- Convey true claims for products.

### **Category 4**

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

## **CAUSES OF UNETHICAL CONDUCT IN AN ORGANIZATION:**

### **1. Pressure to meet unrealistic objectives and deadlines:**

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

### **2. Increase in acute competition:**

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

### **3. Economic Greed:**

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

### **4. Information of unethical acts through media:**

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

### **5. Pressure to earn profit:**

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

### **6. Lack of Management Support or Poor Leadership:**

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

## **BENEFITS OF BUSINESS ETHICS:**

### **1. Goodwill of the Business:**

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

### **2. Prevention from Legal Action**

- By implementing ethical practices organizations are automatically prevented from illegal and objectionable activities as business ethics instruct to avoid all that is wrong or evil.

- Such organizations have no fear of legal action and social boycott.

### **3. Business ethics have substantially improved society**

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

### **4. Ethical practices create a strong public image**

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

### **5. Ethics practices support employee growth**

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

### **6. Strong teamwork and high productivity**

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

### **7. Build trust with key shareholders**

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

### **8. High Profits**

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

### **Business Ethics & Good Governance:**

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

## **TECHNIQUES TO IMPROVE ETHICAL PRACTICES**

- Efforts at Institutional Level
- Efforts at Governmental Level
- Efforts at Social and Religious Level

### **At Institutional Level Ethical code of conduct:**

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

### **Ethics committees:**

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

### **Transparency in working:**

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

### **Penalties:**

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

### **Efforts at the Government Level**

#### **Clear cut policies and working procedures:**

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

#### **Strict penalty provisions:**

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

### **At the Social and Religious Levels**

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

## **HOW ETHICS CAN MAKE CORPORATE GOVERNANCE MORE MEANINGFUL?**

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

## **BIO ETHICS:**

- Bioethics is the study of the ethical issues emerging from advances in biology and medicine.
- Bioethics is concerned with the ethical questions that arise in the relationships among life sciences, biotechnology, medicine and medical ethics, law theology and philosophy.
- The moral component of bioethics is based on the principle of ahimsa—of avoiding unnecessary harm and/or injury while furthering human interests and the good of human society.
- Bioethics begins with the premise that all living beings and natural processes have purpose. The derivative or inferred intrinsic value of other sentient beings and each being's inherent worth to its community are acknowledged as deserving of moral consideration.
- In a highly pragmatic sense, bioethics teaches us that when we take care of the Earth, the Earth will feed us and that when we don't take care of nature, nature cannot take care of us.
- Bioethics provides the framework to help us deal more effectively with a host of issues in our personal and professional lives.
- It enhances dialogue and facilitates conflict resolution and, because of its democratic process, provides a firm foundation for a just and humane society.

## **Fundamental Principles of Bioethics:**

### **1. Respect for people**

- People are treated as autonomous entities who have the freedom of choice and are endowed with the right to make their own life choices.

- Persons with diminished autonomy (by virtue of illness or age) are protected, and where necessary, excluded from potentially harmful activities.

## **2. Beneficence**

- This principle consists of two general rules. The first rule is a mirror of the Hippocratic maxim, “do not harm”.
- The second rule dictates that in pursuing a project, all efforts are undertaken to maximize the possible benefits whilst keeping the risks at a minimum.

## **3. Justice**

- The benefits and the burdens of the project are equally distributed wherever possible. In the event that such a distribution is not feasible, the distribution is conducted according to individual need, effort, societal contribution and merit

### **Purpose of Bioethics:**

- Bioethics offers a multi-layered, rational appraisal of our place in the world and how best we can live for the good of the planet’s life community.
- It mandates equal and fair consideration for human rights, animal rights, and the environment.
- It includes a temporal principle of trans-generational equity—having concern for the well-being of future generations and a respectful understanding of the wisdom and folly of our ancestors.
- Bioethics can also be an antidote to our society’s dominionistic attitude toward life.
- Subjugation of minorities and other communities and war and other forms of violence will continue until we abandon the belief that we are superior to and apart from nature.
- Protection of endangered species, sustainable use of agricultural and other natural resources, loss of biodiversity, global warming, air pollution, national economic security, and industrial-economic sustainability can and must be considered in a context of bioethics.

### **Bioethics in research:**

- Prior to the establishment of a set of guiding principles, as set out by the field of bioethics, researchers were not bound by any governing guiding principles in conducting their research.



- The principles guiding the field of bioethics have been instrumental to the consideration of various aspects in the conduct of research.
- Factors such as informed consent, risk/benefit analysis and the selection of research subjects can be considered as direct applications of the aforementioned principles and are invoked today in every research that requires human participants as part of the research.

### **Scope of Bioethics**

- The scope of bioethics can expand with biotechnology, including cloning, gene therapy, life extension, human genetic engineering, astroethics and life in space, and manipulation of basic biology through altered DNA, RNA and proteins.
- These developments will affect future evolution, and may require new principles that address life at its core, such as biotic ethics that values life itself at its basic biological processes and structures, and seeks their propagation.

### **MEDIA ETHICS:**

The media all over the world has voluntarily accepted that code of ethics should cover at least the following areas of conduct.

1. **Honesty and fairness:** Duty to seek the views of the subject of any critical reportage in advance of publication; duty to correct factual errors; duty not to falsify pictures or to use them in a misleading fashion;
2. Duty to provide an opportunity to reply to critical opinions as well as to critical factual reportage
3. Appearance as well as reality of objectivity; some codes prohibit members of the press from receiving gifts'
4. Respect for privacy
5. Duty to distinguish between facts and opinion
6. Duty not to discriminate or to inflame hatred on such grounds as race, nationality, religion, or gender; some codes call on the press to refrain from mentioning the race, religion or nationality of the subject of news stories unless relevant to the story; some call for coverage which promotes tolerance
7. Duty not to use dishonest means to obtain information;
8. Duty not to endanger people;

9. General standards of decency and taste;
10. Duty not to prejudge the guilt of an accused and to publish the dismissal of charges against or acquittal of anyone about whom the paper previously had reported that charges had been filed or that a trial had commenced.

## **Introduction to Media Ethics**

### **Canons of Journalism:**

Ethical rules adopted by the American Society of Newspaper Editors on April 28, 1923, and since endorsed by many state associations and other groups of journalists.

1. **Responsibility:** The right of a newspaper to attract and hold readers is restricted by nothing but considerations of public welfare. The use of newspaper makes of the share of public attention it gains serves to determine its sense of responsibility, which it shares with every member of its staff. A journalist who uses his power for any selfish or otherwise unworthy purpose is faithless to a high trust.
2. **Freedom of the Press:** Freedom of the press is to be guarded as a vital right of mankind. It is the unquestionable right by law, including the wisdom of any restrictive statute. To its privileges under the freedom of American institutions are inseparably joined its responsibilities for an intelligent fidelity to the Constitution of the States.
3. **Sincerity, Truthfulness, Accuracy:** Good faith with the reader is the foundation of all journalism worthy of the name.
  - By every consideration of good faith, a newspaper is constrained to be truthful. It is not to be excused for lack of thoroughness, or accuracy within its control, or failure to obtain command of these essential qualities.
  - Headlines should be fully warranted by the contents of the articles which they surmount.
4. **Independence:** Freedom from all obligations except that of fidelity to the public interest is vital.
  - Promotion of any private interest contrary to the general welfare, for what ever reason, is not compatible with honest journalism. So-called news communications from private sources should not be published without public notice of their source or else substantiation of the claims to value as news, both in form and substance.

- Partisanship in editorial comment which knowingly departs from the truth does violence to the best spirit of journalism; in the news columns it is subversive of a fundamental principle of the profession.

## **ETHICS OF WAR:**

### **Introduction**

- Human beings have been fighting each other since prehistoric times, and people have been discussing the rights and wrongs of it for almost as long.

### **War is bad?**

- The Ethics of War starts by assuming that war is a bad thing, and should be avoided if possible, but it recognizes that there can be situations when war may be the lesser evil of several bad choices.
- War is a bad thing because it involves deliberately killing or injuring people, and this is a fundamental wrong - an abuse of the victims' human rights.

### **War ethics**

- The purpose of war ethics is to help decide what is right or wrong, both for individuals and countries, and to contribute to debates on public policy, and ultimately to government and individual action.
- War ethics also leads to the creation of formal codes of war (e.g. the Hague and Geneva conventions), the drafting and implementation of rules of engagement for soldiers and in the punishment of soldiers and others for war crimes.

### **The three key questions are:**

- Is it ever right to go to war?
- When is it right to wage war?
- What is the moral way to conduct a war?

### **Is it ever right to go to war - Pacifism**

- There are several different sorts of pacifism, but they all include the idea that war and violence are unjustifiable, and that conflicts should be settled in a peaceful way.

### **People are pacifists for one or some of these reasons:**

- Religious faith
- Non-religious belief in the sanctity of life

- Practical belief that war is wasteful and ineffective
- Many believe that pacifism is more than opposition to war. They argue that it must include action to promote justice and human rights.

### **Types of pacifism**

**Absolute pacifism:** An absolute pacifist believes that it is never right to take part in war, even in self-defence. They think that the value of human life is so high that nothing can justify killing a person deliberately.

**Conditional pacifism:** Conditional pacifists are against war and violence in principle, but they accept that there may be circumstances when war will be less bad than the alternative.

**Selective pacifism:** Other pacifists believe that it is a matter of degree, and only oppose wars involving weapons of mass destruction - nuclear or chemical and biological weapons - either because of the uniquely devastating consequences of such weapons, or because a war that uses such weapons is not 'winnable'.

### **What is a Just War?**

Six conditions must be satisfied for a war to be considered just:

1. The war must be for a just cause.
2. The war must be lawfully declared by a lawful authority.
3. The intention behind the war must be good.
4. All other ways of resolving the problem should have been tried first.
5. There must be a reasonable chance of success.
6. The means used must be in proportion to the end that the war seeks to achieve.

### **How should a Just War be fought?**

- A war that starts as a Just War may stop being a Just War if the means used to wage it are inappropriate.
- Innocent people and non-combatants should not be harmed.
- Only appropriate force should be used.
- This applies to both the sort of force, and how much force is used.
- Internationally agreed conventions regulating war must be obeyed.

**The conduct of war:**

- This is the issue of *how* a war should be fought, rather than *why* or if it should be fought.
- For a war to be a just war it must be fought according to certain rules - a war which is just in cause can be unjust in the way it is fought, or the other way around.
- The concept of the just conduct of war has the latin name of Jus In Bello.

**The principle topics concerned are:**

- Whom it is ethical to fight
- How much force it is ethical to use
- Is the use of certain weapons always wrong?
- The role of international conventions on war

**Whom can you fight?**

- Is it immoral to involve civilians in a war? Who is, and who isn't, a combatant?
- How much force can be used?
- The force used should be 'proportional' or 'appropriate': the force needed to win, and no more.
- So it is probably unethical to use a flame-thrower or a machine gun against an enemy who is armed only with clubs (although if these were the only weapons available and the alternative was surrendering and being killed, what then?).
- It is certainly unethical to kill the soldiers of an army that has surrendered.
- Weapons that are intrinsically evil
- These are usually taken to be chemical and biological weapons. These were banned by the Geneva Protocol in 1925.
- Many writers argue that nuclear weapons are inherently evil.
- There is a growing view that landmines, because they are indiscriminate weapons which cause great harm to civilians, are inherently evil.
- Certain military methods are also regarded as intrinsically evil such as genocide, mass rape, torture and so on.

**The Hague Convention of 1907 bans:**

- Poison or poisoned weapons
- Killing or wounding treacherously
- killing or wounding an enemy who, having laid down his arms, or having no longer means of defence, has surrendered at discretion
- Declaring that no mercy will be given to defeated opponents
- Using arms, projectiles, or material calculated to cause unnecessary suffering

**International conventions**

- Where countries have signed a convention governing warfare, soldiers are considered to merit punishment if they break any of the rules in that convention