

# “Approaches to ethical decision making”: In perspective to Managers.

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## Abstract

The importance of ethics in business is emphasized upon by its appearance on the motto or coat of arms of several reputable organizations. The general perception ‘most business houses in India run ethically’...among the striking negative illustrations is that of Bhopal Disaster, and is so on two counts. The interest in business ethics may be related to recessions and their likelihood, and also to recent changes in the law. Among the major ethical problems encountered by managers in India are: how to engage in honest dealings with clients, integrity in conduct, standard setting for employees: how to deal with informers (whistleblowers) who are ethically right but an embarrassment to the company, how to deal with a problem of ethnicity in the workplace without seeming to be racist. The commitment to ethical behavior needs to be supplemented by explicit teaching and the need to foster a business climate in which ethical behavior is seen to be a norm.

## Professional Commitment of the Modern Manager

When Mr.Prakash Tandon was the chairman of Hindustan Lever, he was once asked a shareholder, ‘Mr. Chairman how many shares do you hold in the company?’ Mr.Tandon did not hold any, and said so. When asked what then his stake in the company was: he replied that it was purely professional. If the shares of the company went down in value, the shareholders might lose some of their money, but the chairman of the company would lose his peace of mind-about the cause of decline of the share price and about the growth of the company for which he was responsible and about the shareholders who were being asked to pay a price through a decline in its share value. An ethical manager works for the organization that employs him and is remunerated not just by his own gain, but by the fact that the organization grows and all the stakeholders are benefitted.

## Religion and culture influence on ethics:

Religion and culture can influence ethical behavior in business. It is suggested that there has been and continues to be, a deep interrelationship between religion, business ethics and economic activity in India. As India is becoming a major global economic business partner, understanding its unique ethical business infrastructure is gaining in importance. Cultural ethics as the name suggests deals with the morality, integrity, principles and values of a culture, and in some case even religion. Cultural ethics reflect the values and morals of the society and therefore it plays a vital role in the governance of that society. It usually differs from culture to culture. In spite of that certain values remain the same simply because they are morally justifiable.

## Approaches to ethical decision making:

Business owners often face difficult dilemmas, such as whether to cut concerns on quality to meet a deadline or whether to lay off workers to enhance profits. A current ethical debate concerns the use of extremely low wage foreign workers, especially in the garment industry.

The intense pressures of business may not always allow the luxury of much time for reflection, and the high stakes may tempt you to compromise your ideals. How will you respond? No doubt you already have a well developed ethical outlook .nevertheless, by considering various approaches to ethical decision making, you may be better able to make the right choice when the need arises.

The subject of business ethics is complex. Fair minded people sometimes have significant differences of opinion regarding what constitutes ethical behavior and how ethical decisions should be made.

In many organizations, introducing an ethical question into a business decision would be considered the most strange and unusual thing to do. At the other end of the spectrum some organizations (a minority) have ethical criteria built into formal decision processes as a natural and expected component alongside other factors such as technical and financial.

### **Key Ethical Concepts in Business Ethics**

The following discussions of key concepts in business ethics were developed for the Committee for Education in Business Ethics of the American Philosophical Association and are useful in the analysis of ethical issues raised in the case studies. Professor Kurt Baer wrote the analysis of the following: obligation, autonomy-dependence- paternalism, freedom, justice, self- respect and dignity. Professor Norman Bowie wrote the analysis of rights.

#### **1 Obligation**

Obligations should be contrasted with permissions. If you are permitted to do A, your not doing A is not wrong. If you are obligated to do A, your not doing A is wrong .Moreover, note that if you are obligated to do so, you are still physically free not to do it even though morality requires that you do it. Finally, the content of obligation may vary; obligations may arbitrarily delimited in time and person as when I promise not to look, after you have reached ten, nor need anyone else be obligated not to look. Hence, obligations donot necessarily depend on the nature of the conduct in question or on its consequences. In this way obligations can be distinguished from intrinsic wrongs like killing or lying.

#### **2 Autonomy-Dependence-Paternalism**

Autonomy is either a psychological condition, reached by all normal adults, of being able to make rational decisions about what to do or right to make and act on such decisions. Dependence is the opposite of autonomy. It refers either to a psychological condition in which someone is in the habit of acting in accordance with the decision made by someone else. Usually one person such as his father or teacher on whom he is said to be dependent, or else to a legal or conventional position of dependence, in which a person (say, a minor) is conventionally precluded from making legally effective decisions on certain matters, as when he needs the approval, consent, or permission of a parent or guardian.

Paternalism is the view that in certain conditions people's autonomy should be disregarded, whether by the state(legal paternalism) or by other individuals, that they should not be asked or allowed to make decisions on certain matters. If it is clear to(specified) others that their decisions would gravely, perhaps irreversibly, affect their own good, as when a person decided to commit suicide, or to take up heroin, or to embark on a extremely hazardous enterprise. Mill , the most widely respected anti-paternalist, opposed only the strong form of paternalism which insists that a person should not be permitted to harm himself even when he acts of his own free will and in full knowledge of the harm involved in his act . He did not object to interference where the person is not acting voluntarily (as when he is delirious , under hypnosis, or in a state of

uncontrollable excitement) or is not adequately informed. However, Mill himself would seem to have embraced the strong principle of paternalism when he argued that no one should be allowed to sell himself into slavery, on the grounds that 'the principle of freedom cannot require that he should be free not to be free'. It is not clear to me why the principle of freedom, i.e., autonomy- that every man has a right to determine the shape of his own life, whatever the effect on his own balance of goods should not require this.

### 3 Freedom

Freedom, in the important sense, with which we are concerned here, is a certain sort of ideal condition or state of affairs, considered by some to be so central to human lives that they are willing to fight in its defense or promotion. This condition concerns the structure of a relation between political societies. It is either the freedom of or for such societies, that is, their independence or autonomy or self government. Or it is the freedom in such societies, consisting in the freedom of religion, association, movement, economic enterprise, speech and communication and so on, or the untrammelled functioning of the institutions promoting these activities: freedom of or for the press, the churches, the parties, the universities, the corporations. Societies can be less or more free in either or both of these two ways. A colony may be completely unfree, that is wholly governed by the mother country, but there may be complete freedom in that society. Conversely, after 'liberation', the society may be wholly self governing, but there may be a little freedom in the newly sovereign society.

We think of freedom as tending towards a limit, complete freedom, beyond which it is impossible further to reform the society in respect the extent of freedom. In such a completely free society, everyone is free to do what he ought to be free to do. And he ought to be free to do whatever he can do without thereby preventing others from doing what they ought to be free to do. Complete freedom thus prevail in a society if everyone has the greatest possible extent of freedom compatible with a like extent of freedom for everyone

- That implies that the law forbids no one to do anything he ought to be free to do, that it forbids people including government officials to interfere with other people doing what they ought to be free to do.
- That it has institutions design to ensure that the substantive principles determining what people ought to be free to do are continually clarified and properly applied to individual cases as social conditions change

Regarding the freedom of citizens in a society, some philosophers have distinguished between positive and negative freedom. Negative freedom is simply the absence of external constraints. For example, the freedom of speech is a negative freedom. We are to speak our mind because there are no laws prohibiting it. The concept of positive liberty is a little harder to capture. The British philosopher, Isaiah Berlin, defines it as self mastery. One lacks positive freedom if one cannot reach some end for reasons such as indecisiveness, compulsive desire or perhaps ignorance. Consider an alcoholic trying to stop drinking no one forces him to take that drink, so he is, in the negative sense, free to drink or not. But his compulsion is so strong, that he cannot help himself. Berlin would say he lacked freedom in the positive sense. Other philosophers suggest that rather than distinguishing between types of freedom, we should define freedom simply as absence of constraints and distinguish between internal and external constraints.

### 4. Self-Respect and Dignity

Self respect is normally respect for oneself as a person. A person has respect or is shown respect when he is or her interest are taken into account and when his or her rights are honored. What these claims and rights

are in contentious, but they include claims concerning life and health, claims to be dealt with honestly, and claims to be dealt with, in a manner befitting the dignity of mankind.

To have self respect means to state seriously the claims and rights one has, simply on the grounds that one is a person. Hence one lacks self respect, if he or she is servile or craven, allows himself or herself to be humiliated or exploited without protest, fails to stand up for his or her rights, or submits to indignities, as if he or she did not deserve any better, and so on. Such behavior suggest or implies that he or she does not think that he or she has the basic rights of a person.

To lack self respect in this sense is not a matter of degree- one either has it or one lacks it. However, people can differ from one another in respect of how strong their self respect is, how easily they lose it under pressure, how firmly their readiness to stand up their rights is entrenched, and how sure they are of higher degree of self respect.

Self respect is a tendency to behave in certain ways, thinking seriously the claims or rights one has as a person. It should perhaps, be distinguished from self respect as if species of self esteem, that is, respect for oneself by comparison with others. In this second sense, self respect is a matter of degree. One may respect oneself more than one respect some other person and more at one time than another. Self-respect in this sense is the opposite of self-contempt. It is not a tendency to behave in a right or claims-respecting way, but simply represents a favorable opinion of oneself ,based on a comparison of one's worth with that of others. But while in cases of self esteem, the basis of comparison may be any type of excellence, in cases of self respect the basis is always a suitable character trait. One respects oneself as a consequence of a favorable comparative judgment based on the sorts of characters traits e.g., honesty, truthfulness, fidelity, trustworthiness, justice, rectitude, which one must have if one respects others as persons. Thus, self respect in this second sense, is simply self esteem, based on certain moral characteristics relevant to self respect in the first sense.

Dignity is ordinarily a characteristic of a person, the self assurance and poise, acquired when one has no doubt about one's own worth and its recognition by others. Dignity is closely related to self respect. To be subjected to indignities is to be treated in ways, which tend to undermine one's self respect and rob one of one's dignities. Such treatment is incompatible with the dignity of persons. Ordinarily, the right and claims related to the dignity of persons are concerned primarily with the person's sense of his own worth. Insults, humiliations, degradations, ridicule, public mockery, are typical forms of such behavior. However, some philosophers have used 'self respect' in a much wider sense , involving all those rights and claims which a person respects, and who respects another as a person, e.g., the right to honesty, fidelity, or fairness.

## 5. Utilitarian

The utilitarian approach to ethical decision making focus is on taking action that result in the greatest good for the greatest number of people. Considering are example of employing low wage workers, under the utilitarian approach, you would try to determine whether using low-wage foreign workers would result in the greatest good.

For e.g., if you use low-wage foreign workers in response to price competition, you might retain your market share, enabling you to avoid laying of your U.S. employees , and perhaps even allowing you to pay your U.S. employees higher wages. If you refuse low wage foreign workers regardless of competition, you may be unable to compete. This could result in layoffs of your U.S. workers and even your foreign workers, for whom the relatively low wages may be essential income. On the other hand, using low wage workers



may tend to depress the wages of most workers, thus reducing almost everyone's standard of living and depressing their ability to purchase the very goods you and others are trying to sell.

## 6. Moral Rights

The moral rights approach concerns itself with moral principles, regardless of the consequences. Under this view, some actions are simply considered to be right or wrong. From this stand point, if paying extremely low wages is immoral, your desire to meet the competition and keep your business afloat is not a sufficient justification. Under this view, you should close down your business if you cannot operate it by paying your workers a 'living wage', regardless of the actions of your competitors.

## 7. Universalism

The universalist approach to ethical decision making is similar to the golden rule. This approach has two steps. First, you determine whether a particular action would apply to all people under all circumstances. Next, you determine whether you would be willing to have someone else apply the rule to you. Under this approach, for e.g., you would ask yourself whether paying extremely low wages in response to competition would be right for you and everyone else. If so, then you would ask yourself whether someone would be justified in paying you those low wages if you, as a worker, had no alternative except starvation.

## 8. Cost Benefit

Under the cost benefit approach, you balance the costs and benefits of taking versus not taking a particular action. For e.g., one of the costs of paying extremely low wages might include negative publicity. You would weigh that cost against the competitive advantage that you might gain by paying those wages.

In our complex global business climate, ethical decision making is rarely easy. However, as a business owner, you have several models available for analyzing your ethical dilemmas. Sometimes one approach will be more appropriate than another. If you take time to consider the various possibilities, you are more likely to make a decision which you believe is ethically correct.

## 9. Economics and Ethics

The name of the beast is economics, macro economics to be precise. Economics as has been called the 'dismal science', not because it has put so many students to sleep but because of its key inventors, Like Thomas Malthus, who spoke far more of tragedy than he did of good fortune and happiness. But it is economics, whether we like it or not, that defines the life of the Western world today people may praise religion, but they work and pray for money. They argue politics, but they 'vote for pocket book'. And in a society, whose primary value is money, economics, inevitably, turns out to be ethics.

Ethics is always more than economics but it would be a mistake for us to understand the impression that economics is a science-dismal or otherwise that is wholly detached from ethics. The language of the market and the balance sheet may sometimes sound more like physics than like a discourse on justice and happiness, but nevertheless there is more ethics to economics than we are usually led to believe. Economics without ethics is blind; ethics devoid of economics is empty.

What Adam Smith presumed between the lines, what 'science' minded economics have rejected, is the essential role of ethics in the 'dismal science'. Economics language consists of advice concerning what ought to be done as well as predictions about what will happen. Disagreements between the economists are just as often about who would be hurt or helped as they are concerned about what the market infact will

do. The key to our economic thinking is fair exchange. Supply and demand is not just quantitative categories;

They are measures of value. Monetary theory is not just numbers, its is a measure of trust and what people think their time, effort, goods and money are worth. We teach our students about the free market as if it were peace of machinery rather than an ethical commitment, and a daring experiment. We analyze international exchange rates and leave out dissatisfaction with the local dictator then we go annoyed with 'politics' interferes with our fraudulently neat mathematical curves.

Science tells us how the world is economics, on the other hand tells us how the world ought to be, in the opinion of one or another economists. The free market isn't a datum for economics as the existence of the planet is a datum for astronomers; it is an ethical viewpoint of a vision of how the world ought to be and how the people ought to behave Lester Thurow has pointed out that it is only in economics that a theorist will suggest the elimination of the one or another market imperfection when there is a disagreement between the model and reality. "if wages do not fall with higher employment, it is due to the market imperfection of monopolistic union, in contrast, no astrophysicist recommends the elimination of a planet he has observed because it doesn't fit his grand scheme of the universe". In economics, we change or bend reality to fit our conception of how the world ought to be.

## **Ethical Attitudes of Indian Managers**

### **Background of the Study**

In taking of this survey, I realize that I was treading on very slippery ground, literally groping trying to find a foothold, to bring light where there is almost absolute darkness. I must confess that my knowledge of ethics, theoretically speaking, will not compare with that of many others. Yet, an attempt has been made to analyze the data provided by this survey on the basis of what I understand by ethics and what I feel businessmen in general understand by the term.

The Indian manager has come out in fairly good colors. What is most creditable, in my opinion, is that he has demonstrated his concern about the situation, and is aware that there exists a problem. This will come as a surprise to the community in general, who regard the businessmen as being corrupt, because he wants to be so, because he is a victim of circumstances. He has also shown, by his reaction to different situations that he is not satisfied with profit as a guideline for behavior and is also concerned about the spiritual and moral consequences of action the questionnaire was handed out to 160 odd participants. Only 115 return the questionnaire, many of them being incomplete. There seemed reluctance on the part of many of them being to give information on this sensitive subject. One participant was greatly concerned as to whether I had secured the permission of the company to get the information requested for the questionnaire.

The all-pervasive influence of superiors and top management in a company was frequently reiterated, giving way to the idea of immediate environment was a highly influential factor in business decisions. Not so apparent was the influence of education, income, or religious affiliation. This information points that top management in companies and business leaders should take the initiative for remedial measures. The presence of government in regulating industry practices was viewed with suspicion and scepticism- through experience related to the government and its officials, and by government servants, because of political pressure of nepotism.

Experience, and the maturity that generally comes with age, was revealed as a positive influence on ethical decision making. The idea of the code of ethics was pleasantly received. A majority preferred self-regulation, and the management of each company to enforce the code.

The outstanding feature was the influence wielded by the company policy and management on employees. Here lies the key to the problem of raising the ethical level in industry.

### Highlights of Findings

Indicated below are only trends that emerged from the survey, which need function investigations using larger sample:

- A majority of business managers believe in good ethics; various circumstances like unnatural competition, company policy, and a plethora of rules and regulations often prevent the manager from putting this belief into practice.
- The problems that caused managers the greatest concern were those which involved 'buying business' using gifts, bribes, personal favours, etc. Personal problems also caused anxiety but mostly due to a conflict of the head and heart when emotions came in the way of responsible decision making.
- Most managers do take time to making a decision to consider the ethical implications.
- Managers constantly reiterated the importance of company policy in influencing ethical action. A man's personal code of conduct was given only second place.
- The influence of superiors, through whom company policy is most often transmitted, was considered important in influencing ethical action.
- Dishonest methods used by competitors and the unethical climate of the industry were often cited as deterrents to the honest transaction of business.
- Corruption and greed among government officials, red tapism, nepotism and suffocating regulations were considered to be obstacles to ethical business behavior.
- The attitudes and reactions of older business managers to situations demonstration a greater ethical awareness than that of younger managers.
- The size of the company, by large, had no discernible influence on ethical decision making .
- Managers were dissatisfied with the idea that profits should be the only guideline for a businessman in the decision making process.
- Formal education and training did not seem to have stimulated the desire to act honestly.
- The ethical attitudes of those who belonged to a religion which was more organized, were no better than those, in whose religion there was not much scope for guidance.
- Certain areas (construction, engineering, research and development, banking, investment and insurance) seemed more prone to encouraging unethical practices than others.
- A majority of managers welcomed the idea of a code of conduct and felt it would help to improve the ethical climate in industry.

- Managers felt that the management of each company (i.e. self-regulation) would be the authority that is best suited to enforce the code.

## Conclusion

In this Paper, we have looked at various approaches to ethical decision making and the relationship between ethics and economics. Considering various approaches to ethical decision making equips a manager to make the right choice when the need arises. Different aspects useful in the analysis of ethical issues are obligation, autonomy-dependence-paternalism, freedom, justice, self-respect and dignity in addition to the analysis of rights. Each of these aspects has been taken up for a close look.

A survey of Indian managers indicates that a good emphasis is laid on conducting business with ethical orientation. The managers talk about code of conduct and recount areas with a predominant component of ethical decision making. Values are not only about the big issues. Certain business areas are more susceptible to falling prey to unethical practices. The influence of seniors, the precedents set and company policy is also seen to be significant in the process of ethical decision making.

