

# **3150709: Professional Ethics**

## **Unit 3: Ethical Dilemmas, Sources and Their Resolutions**

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# OUTLINE

Ethical Dilemmas, Sources and Their resolutions:

- ❖ What is an Ethical Dilemma,
- ❖ Sources of Ethical Behavior,
- ❖ Code of Personal Ethics for Employees,
- ❖ How to Resolve an Ethical Problem,
- ❖ How to Resolve Ethical Dilemmas.



## INTRODUCTION

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All of us, as producers, distributors and even as consumers, confront situations where our moral behavior is put to test.

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There are innumerable occasions when they may have to fight in courts, sellers try to suppress facts about their products or services; buyers collude with sellers in order to evade cases and taxes that are due to the government.

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Buyers more often refuse to take bills if taxes are added to the prices, they pay for the products they buy. On every such occasion, we come across an ethical dilemma.

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In this chapter, we analyze the whys and wherefores of such dilemmas and how these can be surmounted by moral and upright behavior.



# What is Ethical Dilemma?



# What is Ethical Dilemma?



## Examples



Some examples of ethical dilemma examples include:



Taking credit for others' work



Offering a client, a worse product for your own profit




Utilizing inside knowledge for your own profit



What is Ethical Dilemma?





An ethical dilemma (ethical paradox or moral dilemma) is a problem in the decision-making process between two possible options, neither of which is absolutely acceptable from an ethical perspective.

Although we face many ethical and moral problems in our life, most of them come with relatively straightforward solutions.

On the other hand, ethical dilemmas are extremely complicated challenges that cannot be easily solved.

Therefore, the ability to find the optimal solution in such situations is critical to everyone.

## What is Ethical Dilemma?

A close-up of a compass rose on a light-colored surface. A green arrow is attached to the compass needle, pointing towards the word 'Ethics' which is written in large, green, sans-serif capital letters along a curved path. The compass has several other needles and a central pivot point.

# What is Ethical Dilemma?

*Ethics is something that any organization would say is important.*



# What is Ethical Dilemma?

An **ethical dilemma** is a moral situation in which a choice has to be made between two equally undesirable alternatives.

Dilemmas may arise out of various sources of behavior or attitude, as for instance, it may arise out of failure of personal character, conflict of personal values and organizational goals, organizational goals versus social values, etc.

A business dilemma exists when an organizational decision maker faces a choice between two or more options that will have various impacts on

- (i) the organization's profitability and competitiveness; and
- (ii) its stakeholders. 'In situations of this kind, one must act out of prudence to take a better decision.

As we can see, many of these ethical choices involve conflicts of values.



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## What is Business Dilemma?

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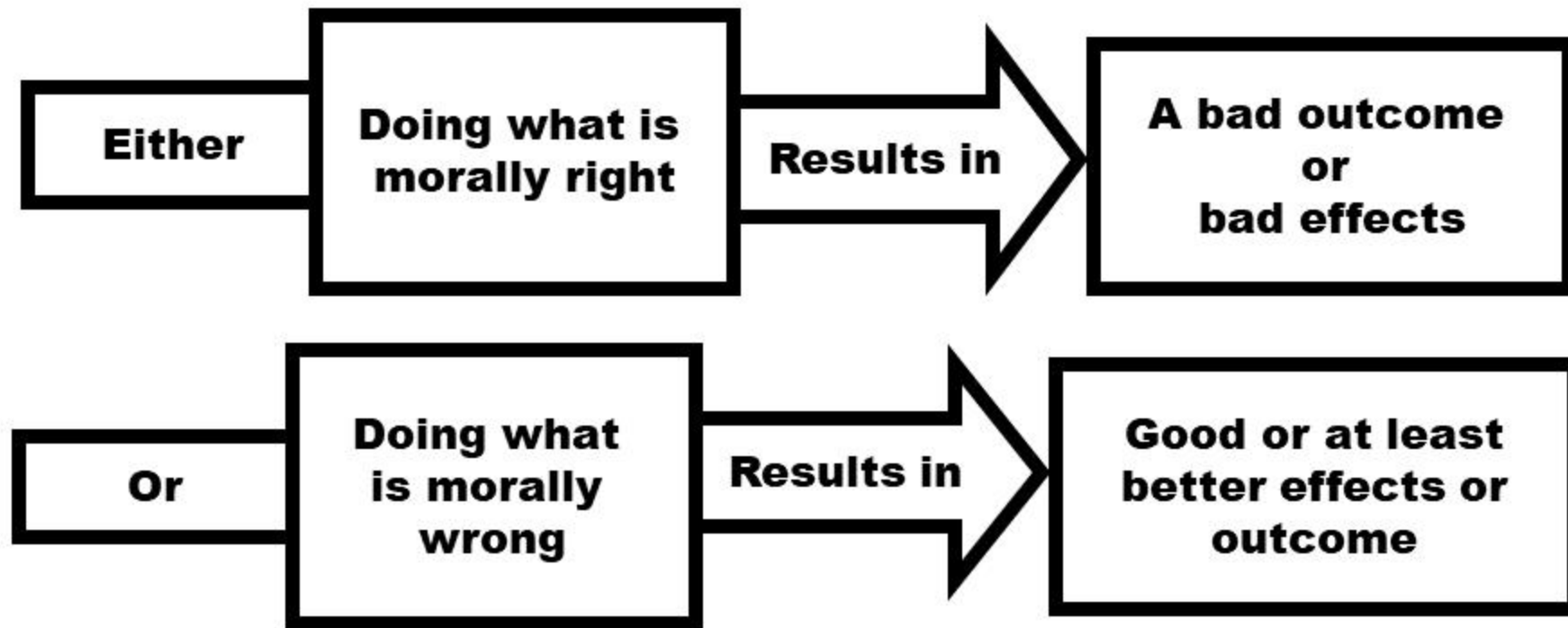
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- its stakeholders.

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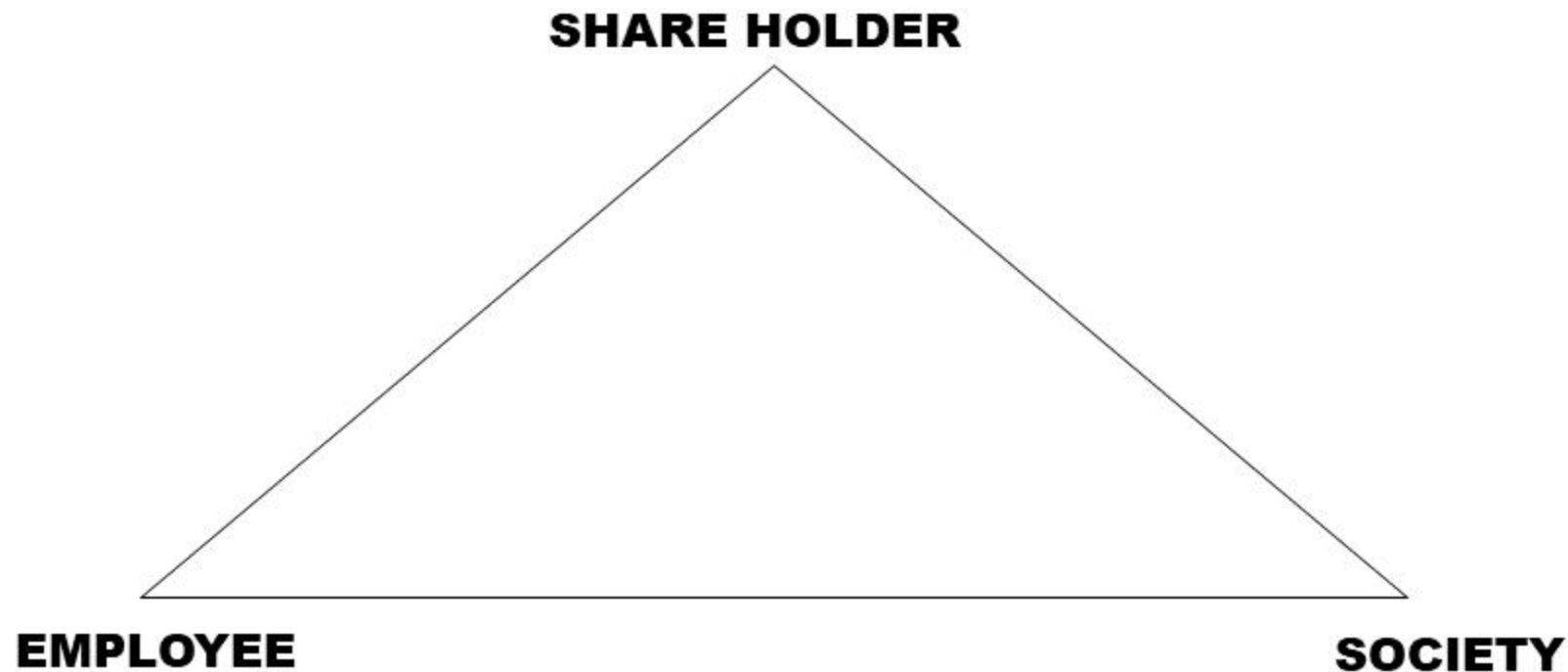
- (i) The organization's profitability and competitiveness; and
- (ii) Its stakeholders. 'In situations of this kind, one must act out of prudence to take a better decision.

# The Structure of Ethical Dilemma





# How Ethical Dilemmas in Business Affect the Stakeholders?



Ethical dilemmas in business can best be explained by the above triangle with the stakeholders as its vertices. The stakeholders in this case can be broadly classified into shareholders, employees and the society at large.

## Corporate Dilemma Over Ethics

- People in business come across several ethical problems that cause ethical dilemmas. For instance,
  - They feel that there is lack of clear linkage between business ethics and financial success;
  - They are not clear as to how much they should invest in the business ethics system;
  - They are unclear about the right balance between business ethics and the investment required for the same; and
  - The seemingly long gestation periods and the lack of short term gains, also, is an obstacle.

# Sources of Ethical Problems

Ethics in general refers to a system of good and bad, moral and immoral, fair and unfair. It is a code of conduct that is supposed to align behaviors within an organization and the social framework. But the question that remains is, where and when did business ethics come into being?

Primarily ethics in business is affected by three sources - culture, religion and laws of the state. It is for this reason we do not have uniform or completely similar standards across the globe. These three factors exert influences to varying degrees on humans which ultimately get reflected in the ethics of the organization. For example, ethics followed by Infosys are different than those followed by Reliance Industries or by Tata group for that matter. Again ethical procedures vary across geographic boundaries.



# Sources of Ethical Problems

- **Religion**

- It is one of the oldest foundations of ethical standards. Religion wields varying influences across various sects of people.
- It is believed that ethics is a manifestation of the divine and so it draws a line between the good and the bad in the society.
- Depending upon the degree of religious influence we have different sects of people; we have sects, those who are referred to as orthodox or fundamentalists and those who are called as moderates.
- Needless to mention, religion exerts itself to a greater degree among the orthodox and to lesser extent in case of moderates.
- Fundamentally however all the religions operate on the principle of reciprocity towards ones fellow beings!

# Sources of Ethical Problems

## Culture

- Culture is a pattern of behaviors and values that are transferred from one generation to another, those that are considered as ideal or within the acceptable limits.
- No wonder therefore that it is the culture that predominantly determines what is wrong and what is right. It is the culture that defines certain behavior as acceptable and others as unacceptable.
- Human civilization in fact has passed through various cultures, wherein the moral code was redrafted depending upon the epoch that was. What was immoral or unacceptable in certain culture became acceptable later on and vice versa.
- During the early years of human development where ones who were the strongest were the ones who survived! Violence, hostility and ferocity were thus the acceptable.
- Approximately 10,000 year ago when human civilization entered the settlement phase, hard work, patience and peace were seen as virtues and the earlier ones were considered otherwise. These values are still in practice by the managers of today!
- Still further, when human civilization witnessed the industrial revolution, the ethics of agrarian economy was replaced by the law pertaining to technology, property rights etc.
- Ever since a tussle has ensued between the values of the agrarian and the industrial economy!

# Sources of Ethical Problems

## Law

- Laws are procedures and code of conduct that are laid down by the legal system of the state. They are meant to guide human behavior within the social fabric.
- The major problem with the law is that all the ethical expectations cannot be covered by the law and specially with ever changing outer environment the law keeps on changing but often fails to keep pace.
- In business, complying with the rule of law is taken as ethical behavior, but organizations often break laws by evading taxes, compromising on quality, service norms etc.



# Sources of Ethical Problems

- **I. Failure of Personal Character**

People whose personal values are not desirable may embezzle funds, steal supplies from the company, pad expense accounts, take unjustified leave, shirk obligations to fellow-workers, take bribes for favoring suppliers use inside information for their personal benefit and to the detriment of others.



## II . Conflict of Personal Values and Organizational Goals:

## II . Conflict of Personal Values and Organizational Goals:

- **1. Personality View of Individual Organization Relationship:**
- The employees who join the organization have their personal goals which they expect to achieve through their membership of the organization. But, there is inherent conflict between organizational and individual goals. Elton Mayo recognized for the first time that the formal organization properties did not satisfy individual needs and they formed informal groups.
- Dissatisfaction among employees being the main reason for the formation of informal group. Douglas M. McGregor also recognized the conflict between these two. According to him, “the main reason of the conflict is that the people behave according to the assumptions of theory Y, but organizations are designed according to the assumptions of theory X.”



## II . Conflict of Personal Values and Organizational Goals:

### 1. Personality View of Individual Organization Relationship:

- The most important view point comes from Chris Argyris who feels that satisfaction of organizational members is also an end in itself. His Immaturity-maturity theory says that human beings want to move from the level of immaturity to the level of maturity. He visualized the individual as moving over time from the passive, dependent and subordinate status of an infant to the active, independent and superior status of an adult.
- The structure of the formal organization is not compatible with the needs of human personality for full development. The basic features of organization create situations that are detrimental to personality development. Thus, maturity of the individual comes into conflict with the basic properties of formal organization.

# II . Conflict of Personal Values and Organizational Goals:

## 2. Viewpoint of Organization Proponents:

According to organization proponents, every individual does not work for self actualization as advocated by personality advocates rather money plays an important role in motivating the individuals. No doubt, a few individuals in the organization may have the strong urge for self development, self actualization and self direction, but mostly people have a tendency to follow orders and instructions from the superiors.

Moreover, money is a means for satisfying higher needs also. It may bring social status and even self actualization to certain people. In practice, people depend on jobs only for monetary benefits, and they satisfy their psychological needs from other organizations and institutions like social clubs, religious or charitable organizations etc. Such people accommodate to the demands of the organization without much frustration or conflict.

According to G. Strauss, organizations do not demand much from the individuals, only reasonable performance in return for the economic benefits offered to them. Since the organization is giving employment to the individual, this expectation is but logical. Thus, the source of conflict may not be within the organization.

## II . Conflict of Personal Values and Organizational Goals:

- The company uses methods or pursues goals unacceptable to the manager.
- **Reported case:** George Couto, an employee of Bayer AG, exposed that Bayer AG used to re-label Cipro and sell it to another pharmaceutical company, Kaiser Permanente, with a different identification number so that it could claim more money from the Medicaid programme.



### III. Organizational Goals Versus Social Values


- Activities of a company taken as unethical by the stakeholders, due to changing social scenario or milieu.
- Procter and Gamble withdrew its Relytampon promptly when its use was linked statistically to some deaths and Johnson & Johnson cleared all retail shelves of its Tylenol analgesic within days of the discovery that some containers have been poisoned.




### III. Organizational Goals Versus Social Values

What are organizational goals examples?

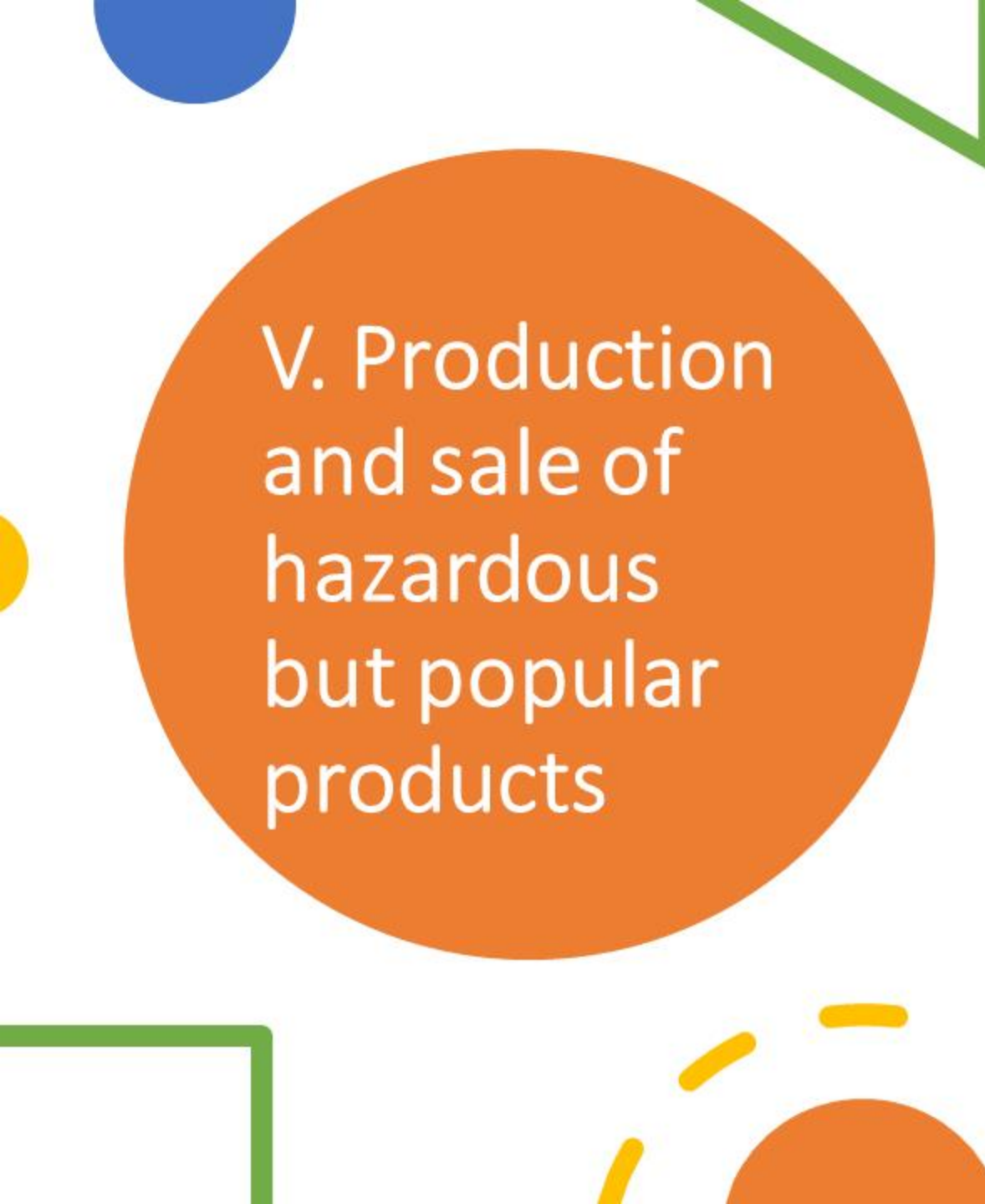
- They include specific, day-to-day operational tasks needed to run a business and that help drive scalability and business growth. Key **organizational goals** can also include employee and management performance, productivity, profitability, innovation, market share and social responsibility **goals**.
- **Organizational goals** are strategically set **objectives** that outline expected results and guide employees' efforts. ... Operational **goals** are for lower-level managers to tackle shorter-term issues. **Goals** are critical to **organizational** effectiveness as they serve as an **objective** for the employees and they work to achieve it.



## IV. Personal Beliefs Versus Organizational Practices


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- Ethical dilemmas in organizations arise when they employ multi-racial and multi-religious employees. Several organizations are accused of racial discriminations and gender bias in the work place and have been paying fines of billions of dollars or opting for out-of-court settlements.





## V. Production and sale of hazardous but popular products

- Where does the ethical burden lie, when business sells products known to be actually or potentially harmful to society?
- Is the principle of *caveat emptor* in mercantile law to be adapted suitably?
- Should individual rights and free choice override social costs?



## V. Production and sale of hazardous but popular products (Contd.)

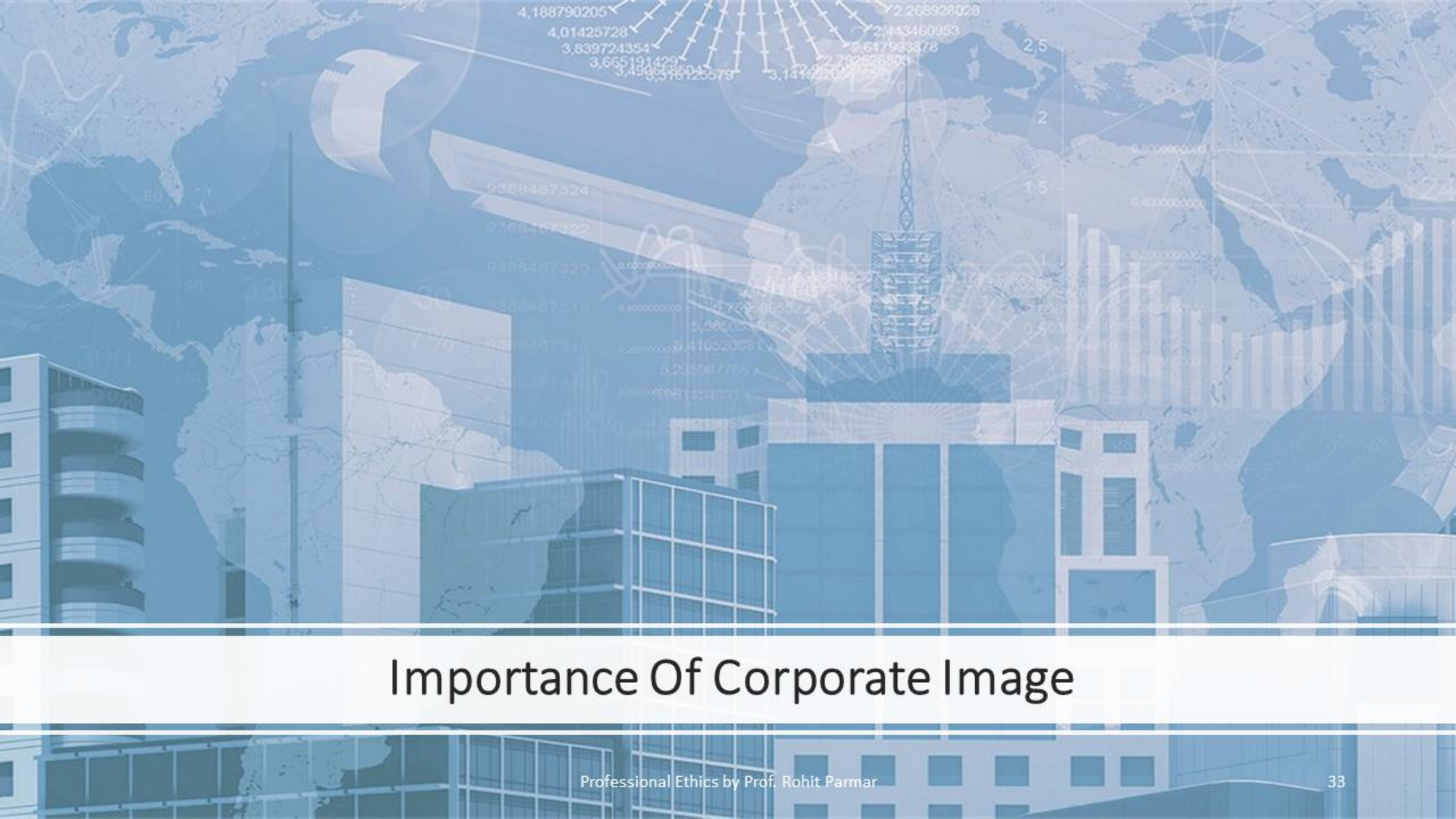
- Could drunken drivers and carefree smokers deprive others of their legitimate rights to life and safety?
- Could free trading in hard drugs, dynamite and guns be considered ethical?
- Will the ineffective control 'Smoking is Injurious to Health' and that too given as a 'Statutory' warning legitimize the unethical business?



## VI. Other Ethical Challenges

- Price fixing and profiteering due to monopoly, and often by artificially created scarcity.
- Shifting unfair shares to the producer stakeholders and employees.
- Discriminatory wage structure.
- Using up too fast, scarce and irreplenishable industrial resources and raw materials.
- Shifting or locating business at the cost of society.
- Overworking women and children.



The background of the slide is a complex, abstract composition. It features a light blue world map as a base layer. Overlaid on the map are various elements: a network of white lines and dots resembling a data or communication network; several numerical values in different colors (white, yellow, green) scattered across the top; a 3D bar chart with vertical bars of varying heights on the right side; and a stylized city skyline with several buildings of different heights and architectural styles at the bottom. The overall color palette is dominated by shades of blue, with accents of white, yellow, and green.

# Importance Of Corporate Image

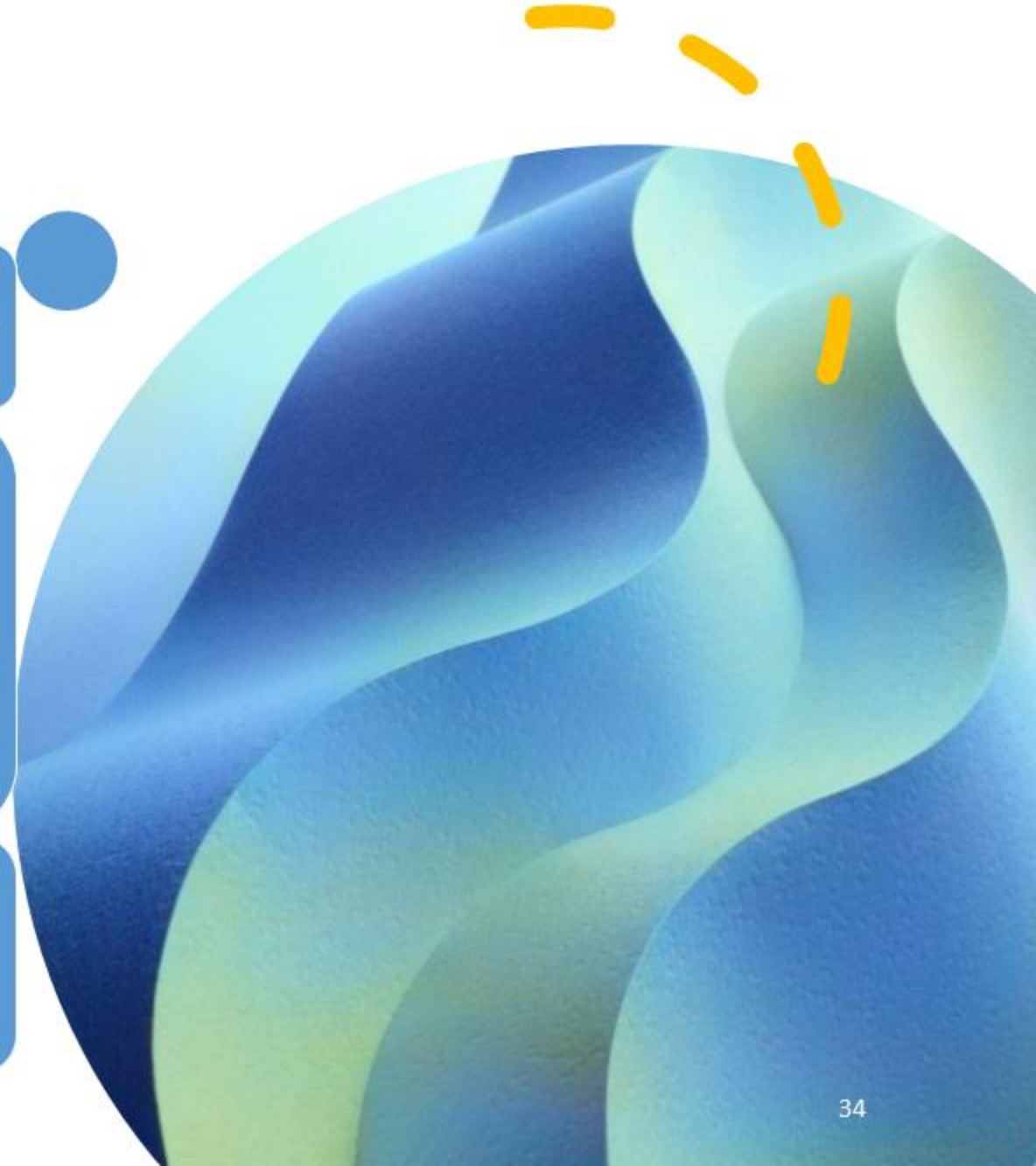


# Importance Of Corporate Image

*Corporate image is one of the most important assets of an organization. It acts as a comfort factor for customers and assures them that they are buying from the best.*

A lot of startup enthusiasts think and talk about starting businesses, building products, acquiring customers and beating competition. It is very important to get inspired and learn on how to start and scale businesses, but at the same time, it is equally important to understand the importance of corporate image. Corporate image is one of the most important assets of an organization. It acts as a comfort factor for customers and assures them that they are buying from the best.

Moreover, it influences attitudes of not only customers but also employees, media, analysts, influencers etc. towards an organization. It is difficult to build a strong corporate image in a highly crowded and competitive environment, and it is much more difficult to regain it, if image has got tarnished due to certain reasons.



# Importance Of Corporate Image

Let's have a look at a few examples where corporate image of highly recognized businesses got negatively impacted due to various reasons:

**Impact of leadership actions:** The recent removal of Cyrus Mistry from the post of Chairman of Tata group has negatively impacted the image of one of India's most respected and largest conglomerate Tata group. Tata group companies lost a huge market value after ouster of Cyrus Mistry. Media coverage on Cyrus Mistry vs Ratan Tata has created invisible and long term damages to the organization, such as the negative impact on brand trust and reputation, customer sentiments, employee morale and so on.

**Impact of product performance:** When Samsung Galaxy Note 7 was released, it received overwhelming praise for its design and features. It was in high demand at the time of its launch and broke pre-order records in South Korea and faced delays in international releases due to supply shortages. However, in September 2016, Samsung suspended sales of the Galaxy Note 7 and announced a voluntary recall after it was found that a manufacturing defect in the phones' batteries had caused some of them to generate excessive heat, resulting in fires and explosions. The defect in this product led to negative media coverage, a costly product recall, and pressure on revenues and profits.



# Importance Of Corporate Image

**Impact of business performance:** Flipkart had been a darling of investors and used to be recognized as the most valuable startups in India, in fact the poster boy of Indian startup ecosystem. But then investors began to wonder about its valuations, analysts and influencers questioned its business model, a few key leaders left the organization and the company couldn't give on time joining to new hires from the top institutes. Additionally, unhappy customers from 2014 Big Billion Day sale and tough competition from Amazon and Paytm added to pressure on business performance.

**Impact of employee actions:** Though different discussions have been happening around whether Uber drivers are self-employed contractors or Uber employees, for customers these drivers are like employees as they represent Uber and customers travel with them due to trust on Uber. In Dec 2014, one of the Uber's driver Shiv Kumar Yadav accused of raping a woman in his taxi in Delhi. This incidence caused a lot of damage to brand image of Uber in India.

The above examples show that organizations have to be paranoid as a few incidences could damage their hard earned corporate image.

# Importance Of Corporate Image

The above examples show that organizations have to be paranoid as a few incidences could damage their hard earned corporate image.

As we have looked at the importance of corporate image and a few examples of how it could get impacted, let's have a look at a few of the factors that help in building the corporate image:

- 1. Management team:** If an organization has well known and respected leaders in its board and executive team then they add on to its image. Additionally, if a company is funded by well-known investors, then also people consider it as one of the upcoming leaders. But, just by having big names in management would not help, proper collaboration and mutual respect among them is very much necessary.
- 2. History:** Previous performance of the company in terms of factors such as rising market share, rising profits, rising alliances, rising distributors, rising vendors, rising customers, successful products, customer testimonials etc. adds on to the image of organization.
- 3. Products market recognition:** Previous successful products add on to the positive image of an organization and create positive customer perceptions about the abilities of a company.



# Importance Of Corporate Image

**4. Financial Success:** Financial results play a very important role in building corporate image. Everybody wants to know and write about success story of profitable companies, financial analysts recommend them to investors and customers feel secure about buying from a company with substantial financial base.

**5. Top notch customers:** Quality of customers is more important than quantity of customers. An impressive customer list can enhance image of a company as an innovator and leader in its industry. Moreover, word of mouth from top notch customers create pull for many other customers.

**6. Employee loyalty:** Employees' alignment with the purpose of company and loyalty towards its customers and management adds a lot of value in terms of corporate image.

Corporate Image is fragile and every action by organization, its leaders and employees matters in terms of creating people's sentiments. If sentiments are positive, people do positive word of mouth about the company that helps in lower customer acquisition and retention cost, better margins, employee loyalty, shareholder value and positive media attention. But if sentiments are negative, organizations could get into negative performance spirals.



# Importance Of Corporate Image

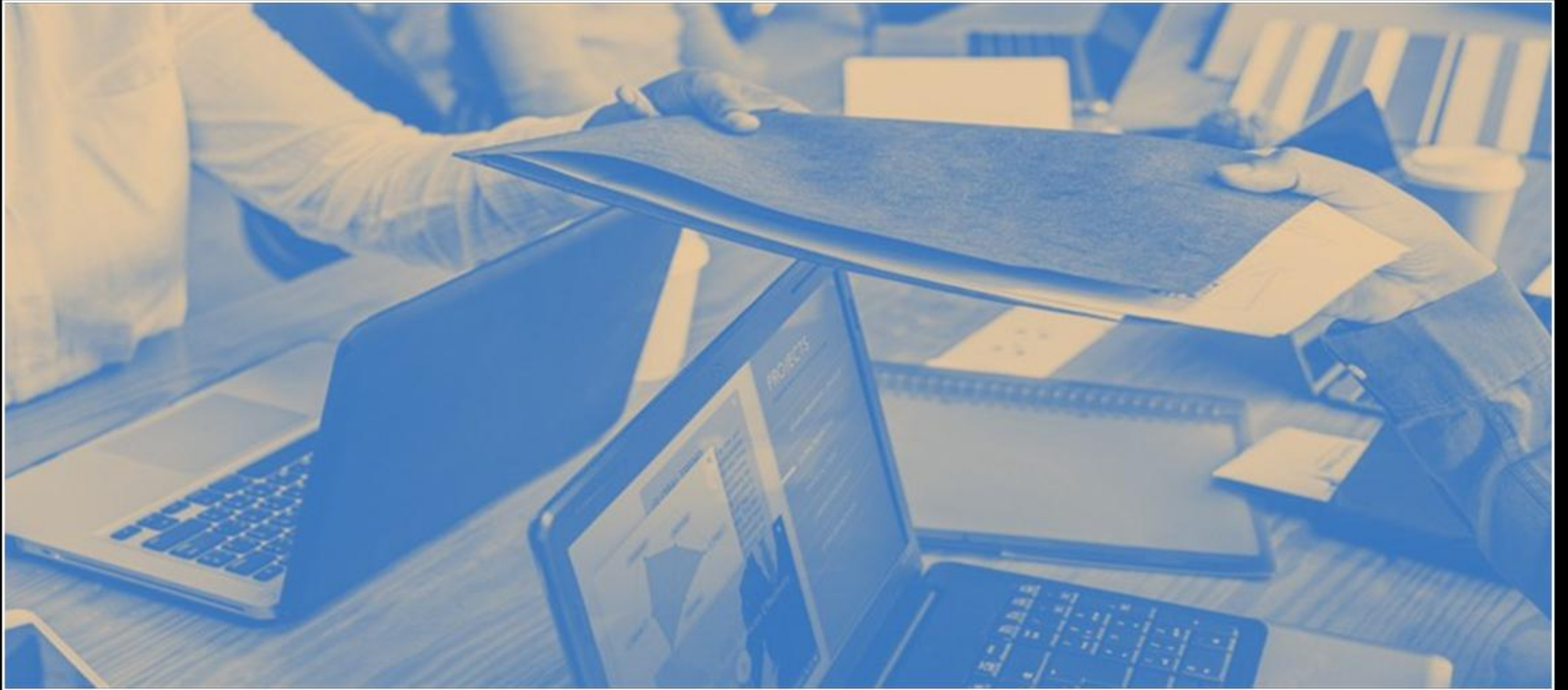
Here are 4 ways to foster an ethical workplace that reaps the rewards of good behavior:

Lead by example

Provide actionable resources

Ask employees to write a personal code

Reward ethical behavior



**Why do Businesses have such a  
Negative Image?**

# Why do Businesses have such a Negative Image?

- Competitive pressures, individual greed and differing cultural contexts generate ethical issues for organizational managers. Further, in almost every organization some people will have the inclination to behave unethically (the ethical egoist) necessitating systems to ensure that such behavior is either stopped or detected (after unethical behavior occurs) and remedied.
- Ethics, involves systematizing, defending, and recommending concepts of right and wrong behavior.





## Why Should Businesses Act Ethically?

- There are a number of reasons why businesses should act ethically:
  - to meet stakeholder expectations (and protect the former's reputations),
  - to prevent harm to the general public,
  - to build trust with key stakeholder groups,
  - to protect themselves from abuse from unethical employees and competitors,
  - to protect their own employees, and
  - to create an environment in which workers can act in ways consistent with their values.

## How Corporates are Observing Ethics in Their Organization?

- Organizations have started to implement ethical behavior by the following actions:
  - publishing in-house codes of ethics
  - employing people with a reputation for high standards of ethical behavior at the top levels
  - starting to incorporate consideration of ethics into performance reviews
  - Starting to reward ethical behavior
  - conducting an ethics audit

## Code of Personal Ethics for Employees

- Most company codes list the following values being expected from their employees:
  - Respect confidential information to which you have access.
  - Maintain high standard of professional responsibility.
  - Avoid being placed in situations involving conflict of interest.



## Code of Personal Ethics for Employees (contd.)

- Most company codes list the following values being expected from their employees.
  - Act with integrity.
  - Do not be biased against anybody or anything.
  - Maintain professional relations based on mutual respect for individuals and organizations.
  - Be committed to the goals of the organization.
  - Do not give up your individual professional ethics.

# How to Create an Ethical Working Environment ?

- Make the decision to commit to ethics.
- Recognize that you are a role model by definition, by your action, and by your values.
- Assume the responsibility for instilling ethical behavior.

## How to Create an Ethical Working Environment ? (contd.)

- Articulate your values.
- Train your staff.
- Encourage open communication.
- Be consistent.
- Abide by the laws of the land.



# How do We Establish Ethical Standards?



# How do We Establish Ethical Standards?

- Think and reflect about yourself, about the management, about the people, and about the relationship and the values you wish to incorporate.
- Create time for thinking
- Reflect.
- Periodically take time off to reflect and consider 'where I am', 'where I have to go' and 'how I am going there'.

# Development of Code of Ethics

Ensures employees and the company can't be challenged on their ethical integrity.

Establishes course of action for unethical behavior by employees

Need to establish a procedure for reporting unethical behavior



# Educating Employees

- Texas Instruments established a Quick Test for educating employees about what is right or wrong:
  - Is the action legal?
  - Does it comply with our values?
  - If you do it, will you feel bad?
  - How does it look in the newspaper?
  - If you know it is wrong, don't do it.
  - If you aren't sure, ask.
  - Keep asking until you get an answer.

Lockheed  
Martin  
established a  
quick  
quiz...When  
in doubt, ask  
yourself:

- Are my actions legal?
- Am I being fair and honest?
- Will my action stand the test of time?
- How will I feel about myself afterwards?
- How will it look in the newspaper?
- Will I sleep soundly tonight?
- What would I tell my children to do?
- How would I feel if my family, friends, and neighbors knew what I was doing?

# Developing a Code of Ethics

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**Need to incorporate individual and corporate values when facing ethical dilemmas**

**Nortel states this clearly to all employees in their Ethical Business Practices document:**

- You have a personal responsibility to make sure that all your words and actions live up to these statements
- You have a responsibility to ask questions when you have doubts about the ethical implications of any given situation or proposed course of action.
- You have a responsibility to report any concerns about business practices within the corporation that may violate this code of business conduct.



# Business Environment

- The term **business environment** means “the aggregate of all forces, factors and institutions which are external to and beyond the control of an individual business enterprise but which exercise a significant influence on the functioning and growth of individual enterprises.”
- Keth Davis defines business environment as “the aggregate of all conditions events and influences that surround and affect business.”



# Business Environment

Business environment is characterized by the following features :

- **1. Aggregative** : Business environment is the totally of all the external forces which influence the working and decision-making of an enterprise.
- **2. Inter-related** : Different elements of business environment are closely inter-related and interdependent. A change in one element affects the other elements. Economic environment influences the non-economic environment which in turn affects the economic conditions.
  - For example, economic liberalization in India since 1991 has opened up new opportunities for private sector and foreign entrepreneurs. Similarly, social pressures against pollution led to the enactment of anti-pollution laws. Therefore, managers should not consider environmental factors in isolation from one another. A holistic approach is necessary for proper understanding of business environment.
- **3. Relative** : Business environment is a relative concept. It differs from country to country and even region to region. Capitalist economies like those of USA and UK have a different kind of environment than communist economies. The nature of economic system in a country affects the environment of business.

# Business Environment

- **4. Inter-temporal** : Business environment is also and inter-temporal concept as it changes over time.
  - For example, business environment in India today is much different from that prevailing before 1991. In the short run business environment may remain static. But in the long run, it does change.
- **5. Uncertain** : Business environment is largely uncertain because it is very difficult to forecast the future environment. When the environment is volatile, *i.e.*, changes very fast, uncertainty increase.
- **6. Contextual** : Business environment provides the macro framework within which the business firm (a micro unit) operates. The environmental forces are largely those given within which an individual enterprise and its management must function.



# Walton Six models of Business Conduct



# Walton Six models of Business Conduct



All businesses must meet certain standards of law and minimum cultural standards.



All are further influenced by the general cultural aspects of their time. But in spite of these tendencies uniform conduct, there are important differences among business.



Each has its own personality, as each human being does. These organizational differences are reflected in company codes of conduct and they do produce different results.



As a guide to understanding different types of business conduct, Walton classifies six models of conduct.

## Walton Six models of Business Conduct

**(a) The austere model:** It gives almost exclusive emphasis to ownership interest and profit objective. In this model, a business firm exclusively emphasizes owners' interest and the profit motive.

**(b) The household model:** The concept of extended family this model emphasizes employee job, benefits, and paternalism. The firm adopting this model employs a paternalistic approach with its employees.

**(c) The vendor model:** In this model, consumer interest, tastes, and rights dominate the organization. In this model, the interests and rights of customers are given top priority.



## Walton Six models of Business Conduct

**(d) The investment model:** This model focuses on the organization as an entity and thus on long-term profits and survival. Social investment is given recognition along with economic investments.

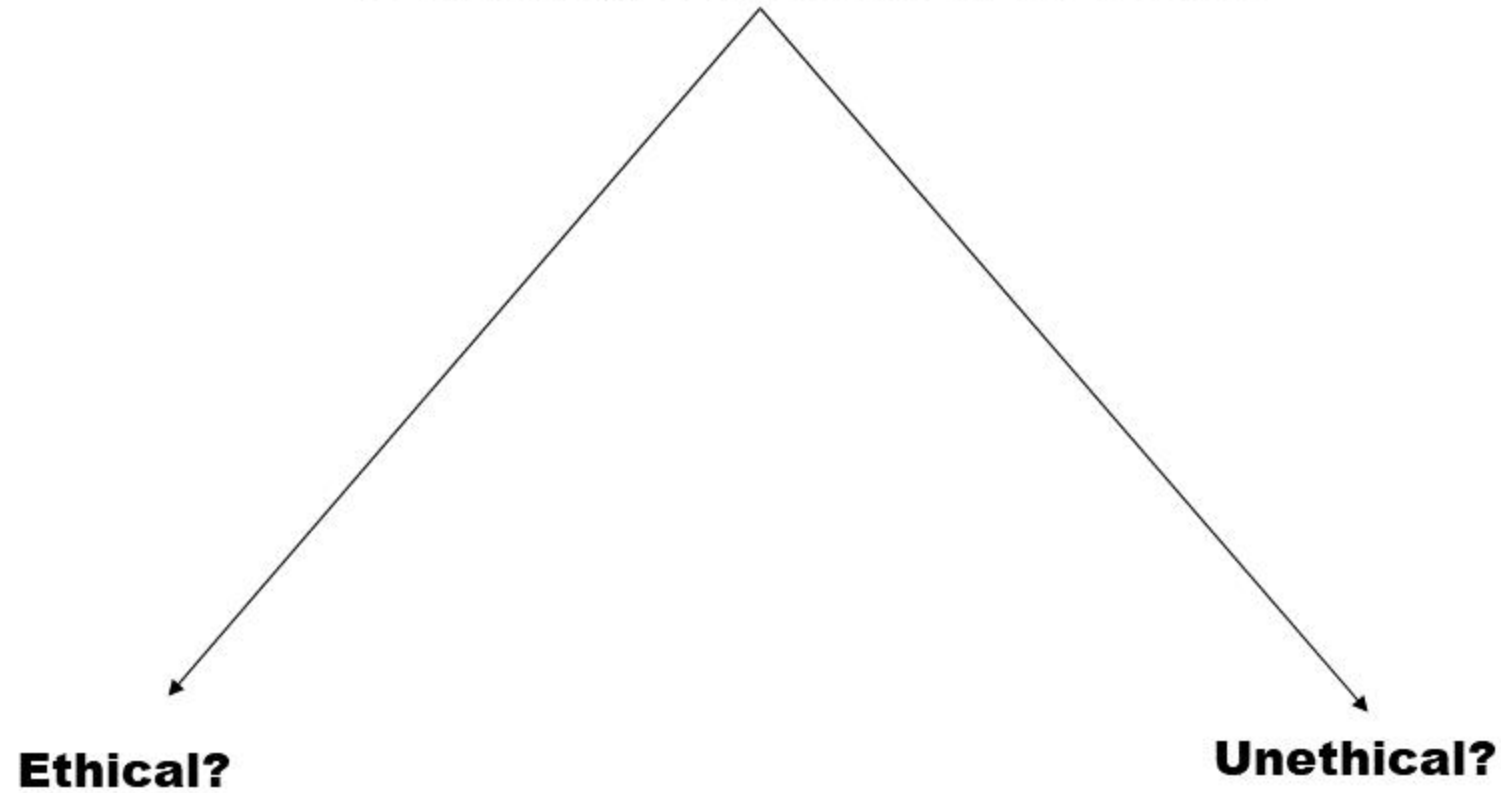
**(e) The civic model:** its slogan is corporate citizenship. It goes beyond imposed obligations, accepts. This model makes a positive commitment to social needs its slogan is corporate citizenship and social responsibility is accepted.

**(f) The artistic model:** This model encourages the organizations to become creative instrument serving the cause of an advanced civilization with a better quality of life. Creative ideas are generated and used for this purpose.

- The six models may be thought of as points on a continuum from low to high social responsibility

# How to Resolve a Dilemma?

- **Is a policy, a decision or an action**



## Ask Three Questions

- To resolve these questions that create a dilemma, ask three questions
  - Utility: Do the benefits exceed the cost (Share Holder)?
  - Rights: Do they respect human rights (Society)?
  - Justice: Does it distribute benefits and burdens evenly (Employees)?



# How to Resolve Ethical Dilemmas?

- Two basic approaches are possible in resolving ethical dilemmas: deontological and teleological
- Deontological (action-oriented) approach:
  - An ethical standard consistent with the fact that it is performed by a rational and free person.
  - These are inalienable rights of human beings and reflect the “characteristic and defining features of our nature”.
  - These fundamental moral rights are inherent in our nature and are universally recognized.

## How to Resolve Ethical Dilemmas? (contd.)

Teleological (results-oriented) ethics:

- The moral character of actions depends on the simple, practical matter of the extent to which actions actually help or hurt people. Actions that produce more benefits than harms are “right”; those that don’t are “wrong”.

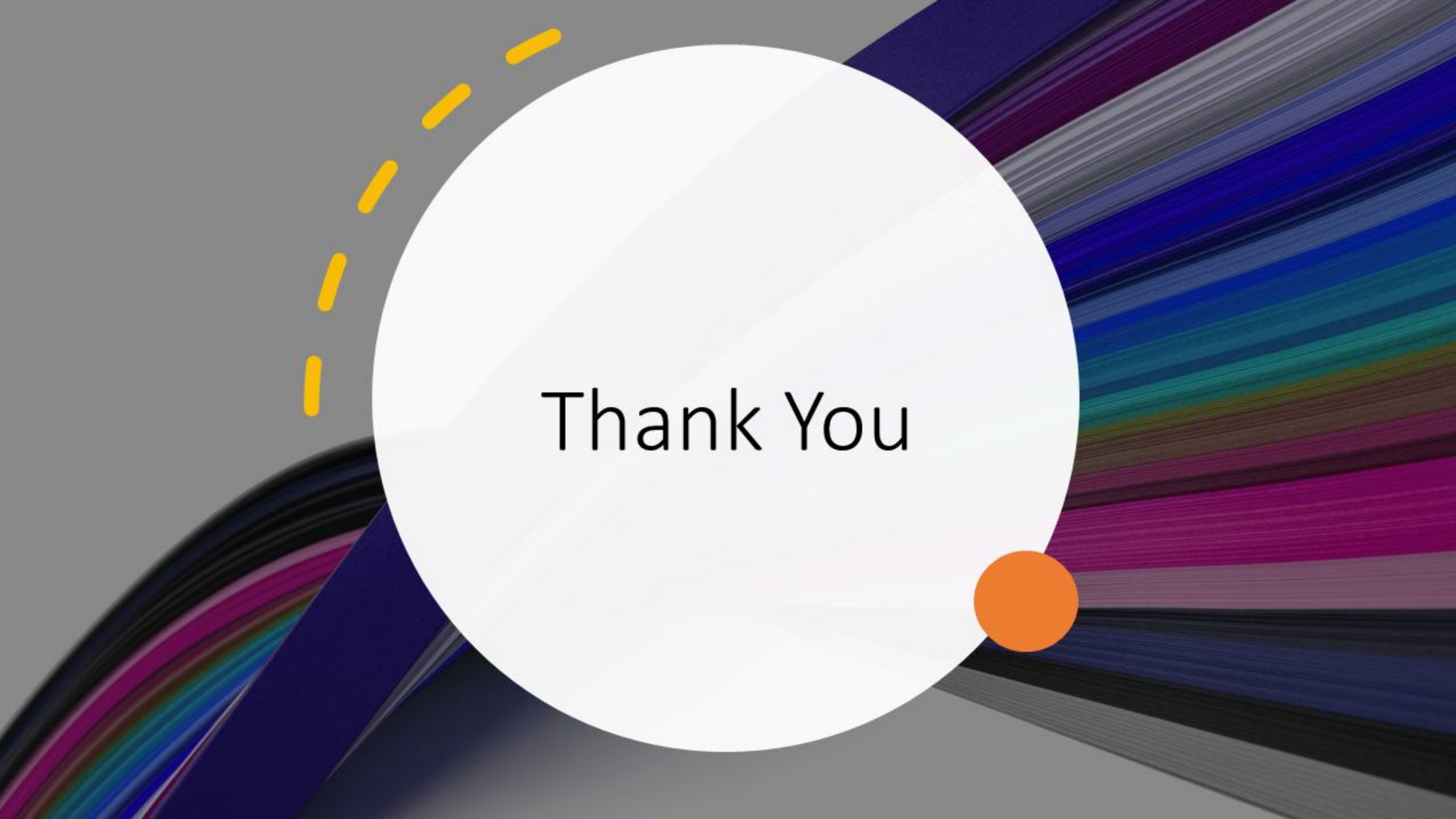
## How to Resolve Ethical Dilemmas? (contd.)

Center for Ethics and Business offers “a brief, three-step strategy” in which both the deontological and teleological approaches converge

- STEP 1: Analyse the consequences
- STEP 2: Analyse the actions
- STEP 3: Make a decision



# END OF PRESENTATION



Thank You