Chapter: 3 INTRODUCTION TO BUSINESS ETHICS

Meaning and Definition of Ethics: "the moral principle that governs a person's behaviour or how an activity is conducted

Core Meaning:

Ethics is the branch of philosophy that deals with questions of Right or Wrong conduct. It provides standards and principles by which human actions — and the actions of organizations can Judged as morally acceptable or unacceptable."

Meaning and Definition of Business Ethics

- **According to William Shaw: "Business ethics deals with morality** in business environment. It involves moral judgment based on understanding of the society, It extends beyond the legal questions and involves goodness and badness of an act
- **According to Crane: "Business ethics is the study of business,** situations, activities, and decisions where issues of right and wrong are addressed
- **In simple words: Business Ethics is the application of ethical** principles to business decisions and behaviour. It asks: Is this decision not just profitable and legal, but also fair, honest, and good for society?

3.1.3. Characteristics of Business Ethics

- Based on Moral and Social Values:

  Business ethics is based on values such as honesty, fairness, integrity, and social responsibility. It encourages businesses to act responsibly beyond legal requirements.

- Relative Concept:

  Ethical standards may differ across cultures, countries, and industries.For example, gift-giving practices in business may be acceptable in one culture but not in another.

- Universal in Application:

  Business ethics applies to individuals, departments, and the entire organization. Every employee and level of management is expected to follow ethical principles.

- Goes Beyond Law:

  Legal compliance is the minimum, while business ethics expects fairness, transparency, and social responsibility. It promotes ethical behaviour even when the law does not require it.

- Applied Ethics:

  Business ethics applies general ethical principles to specific business decisions and situations. It helps managers and employees deal with practical ethical issues in business.

- Dynamic:

  Ethical standards change over time according to changes in society and business practices. Practices once accepted, such as child labor and environmental dumping, are now considered unethical.

Importance of Business Ethics

- **Trust and Reputation**
  A company with strong ethical principles naturally earns the trust of customers, employees, and investors. Trust is the cornerstone of reputation, which is invaluable in business. A tarnished reputation—as seen in the Satyam scandal (2009)—can cause total collapse of a company overnight.
- **Long-Term Success**
  While compromising on ethics might bring short-term gains, it is unsustainable in the long run. Ethical businesses weather economic downturns better. Investors and stakeholders are more loyal to ethically-governed companies.
- **Employee Satisfaction and Retention**
  Employees prefer organizations where they feel valued and where work is guided by ethical principles. High employee morale translates to increased productivity. Ethical businesses find it easier to retain talent, saving costs of hiring and training.
- **Legal Safeguards**
  Companies that prioritise ethics are at lower risk of legal troubles. Compliance with laws becomes easier when ethics guides decision-making. Legal issues—like those faced by Volkswagen in the emissions scandal—can severely damage both finances and reputation.
- **Competitive Advantage**
  Ethical conduct can serve as a significant differentiator in the market. Today's consumers are more informed and willing to patronize businesses that align with their values. Ethical business practices help attract and retain customers.
- **Social Responsibility and Sustainability**
  With increasing attention on corporate social responsibility, ethical businesses more easily achieve sustainability goals. They consider social and environmental impact, contributing to a more sustainable future.
- **Investor Confidence**
  Institutional investors and ESG-focused funds prefer companies with strong ethical practices. Good governance attracts capital at lower cost.
- **Avoids Regulatory Intervention**

Governments intervene in markets primarily because of unethical corporate behaviour.
Businesses that self-regulate ethically face fewer restrictive regulations.

Ethical Policy in Business

An Ethical Policy is a formal statement by an organisation that describes the ethical standards and values that will guide its decisions and conduct. It communicates to employees, customers, and stakeholders what the company stands for and how it will behave.

Key elements of an Ethical Policy:

- Mission and Values Statement:
  It defines the company's core values such as integrity, respect, fairness, and accountability. It guides employees on the principles the organization expects them to follow.
- Stakeholder Commitments: Explains how the company will treat employees, customers, suppliers, shareholders, and the community.It promotes fair, respectful, and responsible relationships with all stakeholders.
- Specific Prohibitions: Clearly states activities that are not permitted, such as bribery, discrimination, conflicts of interest, and insider trading.
  It helps employees understand unacceptable behaviour.
- Reporting Mechanisms:
  Provides ways for employees to report unethical behaviour, such as through whistleblower systems or ethics hotlines. It encourages employees to raise concerns without fear of retaliation.
- Consequences for Violations:
  Specifies the actions that may be taken when the ethical policy is violated, such as disciplinary action or termination. Serious violations may also result in legal action.

- Review and Update Process:
  Explains how the ethical policy will be reviewed and updated periodically.
  This ensures that the policy remains relevant and effective over time.

Why Companies Need an Ethical Policy:

- Provides clear guidance to employees when facing ethical dilemmas.
- Protects the company from legal and reputational risks.
- Builds stakeholder trust by making values explicit and public.
- Enables consistent decision-making across all departments and levels.
- Required under law for listed companies (SEBI regulations require companies to adopt a Code of Conduct).

Code of Conduct

A Code of Conduct (also called Code of Business Conduct or Code of Ethics) is a formal written document that sets out the ethical rules, values, and expected behaviors of everyone in the organization — from the Board of Directors to junior employees. It is the practical application of the company's ethical policy.

Code of Conduct — Definition:

A Code of Conduct is a set of rules outlining the norms, responsibilities, or proper practices for an individual or an organization. It translates the organization's values into specific, actionable standards of behaviour.

Content of a Code of Conduct — The Code typically includes:

- Company Values — the core principles the organization upholds.
- Avoidance of Conflict of Interest — employees must not let personal interests interfere with company decisions.
- Accurate and Timely Disclosure — in reports, filings, and communications to regulatory bodies and public.
- Compliance with Laws — including Insider Trading Regulations, labour laws, and competition law.
- Maintaining Confidentiality — of company affairs, trade secrets, and customer information.
- Non-Competition and Fair Dealings — employees must not compete with the company or engage in unfair practices.
- Standards for All Stakeholders — how to deal with customers, communities, suppliers, shareholders, competitors, and employees.
- Prohibition of Corporate Opportunity Misuse — directors and senior management cannot take business opportunities for themselves or their families that belong to the company.
- Annual Review — the Board must review the adequacy of the Code every year.
- No Waiver — no one — not even the Chairman or CEO — has authority to waive the Code for themselves.

Common Principles Found in Most Codes of Conduct:

- Use of company's assets only for authorised purposes.
- Avoidance of conflict of interest in all forms.
- Avoidance of compromising on commercial relationships.
- Avoidance of unlawful agreements (cartels, price-fixing).
- Avoidance of offering or receiving monetary or other inducements (bribes, gifts beyond permitted limits).
- Maintenance of confidentiality of business information.
- Collection of information from legitimate sources only.

- Safety at workplace — ensuring a safe and harassment-free environment.
- Maintaining and managing records accurately and transparently.
- Free and Fair Competition — competing honestly without predatory practices.
- Disciplinary actions for violations of the Code.

STEPS to Create a Code of Ethics

- Define the organization's most important guiding values.
- Formulate behavioral standards illustrating how those values apply to specific roles.
- Review existing procedures to see how values are currently applied.
- Establish systems and processes to ensure the Code is implemented and effective.
- Actively involve Boards and senior management in debating and deciding the Code — it cannot be copied from a template.

Aspect	Explanation
Ethical Policy	Broad statement of values, principles, and commitments. It is the "why" — why the company acts ethically.
Code of Conduct	Specific rules of behaviour derived from the Ethical Policy. It is the "how" — how employees should act in practice.
Scope	Ethical Policy covers the whole organisation's philosophy. Code of Conduct gives specific rules for specific situations.
Legal Requirement	Not always legally required (but expected). Code of Conduct is required for listed companies under SEBI regulations.

Ethical Concerns of Stakeholders — Functional Area Ethics and ESG

Who Are Stakeholders?

A stakeholder is any individual, group, or organisation that has an interest in, or is affected by, the activities and decisions of a business. Unlike shareholders (who own the company), stakeholders include a much wider group.

Type	Examples
Internal Stakeholders	Employees, managers, Board of Directors, shareholders
External Stakeholders	Customers, suppliers, creditors, government, regulators, community, environment, media

Every functional area of a business — marketing, finance, human resources — faces specific ethical challenges in dealing with these stakeholders. These are called Functional Area Ethics.

Marketing Ethics

Marketing ethics deals with the principles that guide the marketing activities of a company — advertising, pricing, product decisions, and distribution. Unethical marketing can deceive consumers and harm society.

- False and Misleading Advertising:
  Advertising products with exaggerated, false, or unsubstantiated claims can mislead consumers and influence their purchasing decisions. Example: Fairness cream advertisements claiming that the product can permanently change a person's skin colour.
- Deceptive Pricing:
  Using pricing techniques that create a false impression that a product is cheaper or available at a special discount.Example: A retailer showing a product as "₹999 reduced to ₹499" when it was never genuinely sold at ₹999.

- Targeting Vulnerable Groups:
  Marketing products in ways that exploit children, teenagers, or economically vulnerable consumers who may be less able to assess the risks involved.
  Example: Advertising junk food through cartoons and attractive toys specifically to children.
- Product Quality and Safety:
  Companies have an ethical responsibility to provide products that are safe and match the quality and performance claims made in advertisements.
  Example: Selling a food product without properly disclosing an ingredient that may pose a safety risk to consumers.
- Environmental Claims (Greenwashing):
  Making false or exaggerated claims about the environmental benefits of a product to create an image of being environmentally responsible.
  Example: A company calling its product "100% eco-friendly" without providing evidence to support the claim.
- Invasion of Privacy:
  Using customers' personal information for marketing without obtaining proper consent or providing adequate information about how the data will be used.
  Example: A shopping website using a customer's browsing history to send targeted advertisements without clear consent.
- Planned Obsolescence:
  Deliberately designing products to become outdated or stop functioning quickly so that customers are encouraged to purchase replacements.
  Example: Designing a device with a battery that is difficult to replace, encouraging customers to buy a new device when the battery deteriorates.

Ethical Marketing Principles:

1. Truth in Advertising:

All claims made in advertisements should be truthful, accurate, and supported by reliable evidence. Companies should not exaggerate product benefits or hide important information from consumers.
Example: A company should not claim that a health product can cure a disease unless there is proper scientific evidence.

2. Fairness:

Businesses should treat consumers fairly and should not take advantage of their lack of knowledge, financial difficulties, or vulnerable situations. Pricing, promotions, and advertisements should be designed honestly.
Example: A company should not charge elderly customers an unfairly high price simply because they are less aware of market prices.

3. Respect for Consumer Autonomy:

Consumers should receive clear, complete, and understandable information so that they can make their own purchasing decisions. Companies should avoid manipulation, pressure tactics, and misleading information.
Example: A financial product advertisement should clearly explain both its benefits and risks before customers invest.

4. Privacy Protection:

Companies should collect only the personal information that is necessary for legitimate business purposes and should obtain appropriate consent. Consumer information should be stored securely and should not be misused or shared without permission.
Example: An online shopping company should ask for consent before using a customer's personal data for targeted advertising.

3.2.3. Finance Ethics

Finance ethics deals with the moral dimensions of financial decision-making, reporting, and management. Financial decisions have enormous impact on investors, employees, creditors, and society.

Key Ethical Concerns in Finance:

1. Financial Fraud and Manipulation: Falsifying financial statements to show better performance than actual. The Satyam scandal (2009) is India's most prominent example — the founder falsified accounts for years, inflating profits and cash balances.

2. Insider Trading: Using non-public, material information to trade in company securities for personal gain. This is both unethical and illegal under SEBI regulations.

3. Misuse of Corporate Funds: Using company money for personal expenses — a direct breach of fiduciary duty.

4. Creative Accounting: Bending accounting rules to manipulate reported profits without outright fraud — for example, off-balance-sheet financing, aggressive revenue recognition.

5. Tax Evasion vs. Tax Avoidance: Tax evasion (illegal) is clearly unethical. But aggressive tax avoidance — routing profits through tax havens — is also ethically questionable even if technically legal.

6. Conflicts of Interest: Auditors who are also consultants to the same firm cannot give independent opinions. This was a central issue in the Enron-Arthur Andersen scandal.

7. Executive Compensation: Excessive CEO pay relative to average worker pay raises questions of fairness and equity.

Example: Enron Scandal (USA, 2001): Enron Corporation falsified accounts using special purpose vehicles to hide massive debts and inflate profits. Its auditor, Arthur Andersen, failed to flag these irregularities (and actually participated in concealment). When the fraud was exposed, Enron collapsed, thousands of employees lost their jobs and pensions, and Arthur Andersen — one of the world's biggest audit firms — ceased to exist. This scandal directly led to the Sarbanes-Oxley Act (2002) in the USA.

Ethical Principles in Finance:

- **Transparency** — full and fair disclosure of financial information to all stakeholders.
- **Accuracy** — financial statements must reflect the true financial position of the company.
- **Independence** — auditors and advisors must be independent and free from conflicts of interest.
- **Stewardship** — managers are stewards of shareholder money and must act in shareholders' best interests.
- **Compliance** — with SEBI regulations, Companies Act, and applicable accounting standards.

3.2.4. Human Resource Ethics

Human Resource (HR) ethics deals with the moral obligations of organisations towards their employees. The employment relationship is one of the most ethically loaded relationships in business.

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Human Resource (HR) ethics deals with the moral obligations of organisations towards their employees. The employment relationship is one of the most ethically loaded relationships in business. HR ethics ensures that employees are treated with fairness, dignity, equality, respect, and justice throughout their employment.

Key Ethical Concerns in HR:

1. Discrimination in Hiring and Promotion:

Selecting or promoting employees based on gender, caste, religion, age, or disability rather than merit is unethical and unfair. Organisations should provide equal opportunities to all employees and make decisions based on qualifications, performance, and ability.

Example: Rejecting a qualified candidate for a managerial position only because of their gender is discriminatory.

2. Sexual Harassment at Workplace:

Companies have a legal (POSH Act, 2013) and ethical obligation to maintain a safe and harassment-free workplace. Complaints should be handled confidentially, fairly, and promptly. Ignoring complaints or retaliating against complainants is deeply unethical.

Example: An organisation taking appropriate action against an employee accused of harassment after following a fair investigation process.

3. Unfair Wages:

Paying employees less than fair wages, especially contract workers or women, while top management earns excessively raises serious ethical concerns. Employees should receive fair compensation based on their work, skills, responsibilities, and market standards.

Example: Paying two employees differently for the same work solely because of gender is unfair and unethical.

4. Unsafe Working Conditions:

Cutting costs by neglecting worker safety can put employees' lives and health at risk. Employers have an ethical responsibility to provide safe equipment, proper training, protective measures, and a healthy working environment.

Example: The Bhopal Gas Tragedy (1984) is an extreme example where safety failures had catastrophic consequences.

5. Privacy Violations:

Monitoring employee communications, location, personal information, or behaviour beyond what is reasonable and disclosed can violate employee privacy. Organisations should collect and use employee information only for legitimate purposes.

Example: An employer secretly monitoring employees' personal messages without a valid business reason can be considered unethical.

6. Wrongful Termination:

Dismissing employees without fair cause, proper procedure, or an opportunity to respond is unethical. Employees should be treated fairly during disciplinary proceedings and termination.

Example: Terminating an employee simply because they raised a genuine complaint about unsafe working conditions is wrongful.

7. Child and Forced Labour:

Using child labour or forced labour is a serious ethical violation. Companies also have a responsibility to ensure that their suppliers and contractors follow acceptable labour standards.

Example: A company purchasing products from a supplier that employs children in dangerous working conditions may also face serious ethical criticism.

8. Whistleblower Retaliation:

Punishing or threatening employees who report fraud, corruption, harassment, or other unethical behaviour discourages employees from speaking up. Organisations should provide safe reporting channels and protect genuine whistleblowers from retaliation.

Example: An employee reporting financial fraud should not be demoted or dismissed merely for making a genuine report.

Ethical Principles in HR:

- **F**airness and non-discrimination in all HR decisions.
- Dignity and respect for every employee regardless of level.
- Fair compensation that reflects contribution and market standards.
- Safe and healthy working conditions as a non-negotiable baseline.
- Privacy protection — employee data collected only as needed and not misused.
- Freedom from fear of retaliation for ethical conduct or reporting.

3.2.5. ESG — Environmental, Social and Governance Considerations

Definition:

ESG (Environmental, Social and Governance) refers to three central factors used in measuring the sustainability and ethical impact of an investment or a company. ESG criteria help investors evaluate companies' long-term viability and ethical standing.

Environmental (E)	Social (S)	Governance (G)
Carbon emissions and climate change	Employee welfare and labour rights	Board composition and independence
Water and energy use	Community development and impact	Executive pay and transparency
Waste management and pollution	Human rights in supply chain	Anti-corruption policies
Biodiversity and land use	Product safety and quality	Shareholder rights
Deforestation and natural resources	Diversity, equity and inclusion	Whistleblower protection

Why ESG Matters:

1. For Investors: ESG helps identify long-term risks. Companies with poor ESG scores face regulatory penalties, reputational damage, and operational disruptions. Many global funds now exclude companies with poor ESG ratings.

2. For Regulators: SEBI (Securities and Exchange Board of India) has made Business Responsibility and Sustainability Reporting (BRSR) mandatory for top 1,000 listed companies from 2022–23.

3. For Companies: Strong ESG performance attracts investment, reduces regulatory risk, improves talent attraction, and builds consumer trust.

4. For Society: ESG-focused businesses contribute to the Sustainable Development Goals (SDGs) and the global commitment to net-zero carbon emissions.

Example: Mahindra Group has committed to becoming carbon neutral by 2040 and has significant renewable energy investments. Its strong ESG performance has helped it attract global institutional investors who have strict ESG investment criteria.

There are 3 points in ESG

1) BRSR

2) GRI

3) CSR

Regulatory Framework — BRSR, GRI and CSR Reporting

As businesses have grown more powerful and their impact on society and the environment has become more significant, governments and international bodies have developed formal frameworks that require businesses to disclose their non-financial performance. These frameworks hold businesses accountable for environmental, social, and governance conduct.

3.3.1. Business Responsibility and Sustainability Reporting (BRSR)

BRSR — Full Form and Meaning:

BRSR stands for Business Responsibility and Sustainability Report. It is a disclosure framework mandated by SEBI (Securities and Exchange Board of India) that requires listed companies to report on their environmental, social, and governance (ESG) performance alongside their financial performance.

Principle 1: Ethical, Transparent, and Accountable Governance

This principle focuses on how businesses govern themselves ethically and transparently. It ensures that decisions are made responsibly, stakeholders receive accurate information, and management is accountable for its actions.

- Anti-corruption mechanisms: Businesses should establish strong systems to prevent bribery, fraud, corruption, and other unethical practices. Employees and management should follow clear anti-corruption policies.
- Ethical leadership: Leaders should demonstrate honesty, integrity, fairness, and responsibility in their decisions. Their behaviour should set a positive ethical example for employees.
- Board accountability: The Board of Directors should be responsible for overseeing the company's activities and ensuring that management acts in the best interests of the organisation and its stakeholders.
- Transparency in disclosures: Companies should provide accurate, complete, and timely information about their financial and non-financial performance. Important information should not be deliberately hidden from stakeholders.
- Risk oversight: Businesses should identify, assess, and manage financial, operational, environmental, and ethical risks. Proper risk management helps prevent major losses and protects stakeholders.
- Responsible decision-making: Business decisions should consider their impact on employees, customers, investors, society, and the environment. Decisions should be based on ethical principles rather than short-term gains alone.

Principle 2: Sustainable and Safe Products & Services

This principle means that businesses should design, produce, use, and dispose of products and services in a way that protects people and the environment throughout the product's entire lifecycle.

- Resource Efficiency: Businesses should use natural resources such as raw materials, energy, and water efficiently. Reducing unnecessary resource consumption lowers costs and environmental impact.

- Product Safety: Products and services should be safe for consumers and should meet required quality standards. Companies should identify and address safety risks throughout the product lifecycle.
- Sustainable Sourcing: Businesses should obtain raw materials from suppliers who follow responsible environmental, social, and ethical practices. This also helps prevent exploitation and environmental damage in the supply chain.
- Responsible Innovation: Companies should develop new products and technologies while considering their social, ethical, and environmental consequences. Innovation should improve consumer welfare without creating unnecessary risks.
- Waste Reduction: Businesses should minimise waste generated during production, distribution, consumption, and disposal. They should encourage reuse, recycling, recovery, and responsible disposal of materials.

Principle 3: Employee Well-Being

The third BRSR Principle focuses on workforce dignity, safety, inclusion, and development. Businesses should create a workplace where employees are treated fairly, respectfully, and safely.

- Occupational Health and Safety: Companies should provide a safe and healthy working environment and take measures to prevent workplace accidents and injuries. Employees should receive appropriate safety equipment and training.
- Diversity and Inclusion: Organisations should encourage participation of people from different backgrounds, genders, abilities, and social groups. Discrimination and harassment should not be tolerated.
- Employee Engagement: Businesses should provide opportunities for employees to express their views, provide feedback, and participate in workplace decisions. Good engagement improves morale, motivation, and productivity.

- Training and Development: Employees should receive appropriate training to improve their knowledge, skills, and career opportunities. Continuous learning also helps organisations build a capable workforce.
- Fair Wages: Employees should receive fair and timely compensation for their work. Wages should be consistent with applicable laws, responsibilities, skills, and reasonable standards of living.
- Equal Opportunity Practices: All employees should have equal opportunities in recruitment, promotion, training, and career development. Decisions should be based on merit, qualifications, and performance rather than discrimination.

Principle 4: Stakeholder Responsiveness

Businesses do not operate in isolation. This principle requires organisations to understand and respond to stakeholder expectations responsibly and consider their interests while making business decisions.

Stakeholders include:

- Employees: Businesses should consider employee needs, welfare, safety, development, and workplace concerns. Employees should have appropriate channels to communicate their grievances.
- Investors: Companies should provide investors with accurate and timely information about financial performance, risks, governance, and future plans. This helps investors make informed decisions.
- Customers: Businesses should provide safe, reliable, and good-quality products and services. Customer feedback and complaints should be handled fairly and promptly.
- Suppliers: Companies should maintain fair and transparent relationships with suppliers. They should avoid unfair payment practices, exploitation, and unethical contractual conditions.

- Communities: Businesses should consider the impact of their operations on local communities. They should contribute positively to local development and avoid causing unnecessary social or environmental harm.
- Regulators: Companies should comply with applicable laws, regulations, and reporting requirements. They should cooperate honestly with regulatory authorities.
- Civil Society Groups: Businesses should engage responsibly with NGOs, community organisations, and other civil society groups. Their concerns regarding social, environmental, and human rights issues should be considered.

Principle 5: Human Rights Protection

Human rights due diligence has become a major global ESG priority. This BRSR Principle requires businesses to respect and promote human rights throughout their operations and supply chains.

- Child Labour Prevention: Businesses should ensure that children are not employed in violation of applicable laws and standards. Companies should also monitor suppliers to prevent child labour in their supply chains.
- Forced Labour Prevention: Employees should work voluntarily and should not be subjected to threats, coercion, or forced labour. Companies should ensure that suppliers and contractors also follow these standards.
- Non-discrimination: Businesses should provide equal treatment and opportunities to employees and other stakeholders. Discrimination based on gender, caste, religion, age, disability, or other factors should be prevented.
- Freedom of Association: Employees should have the right to organise and participate in lawful employee associations or trade unions. Businesses should respect employees' rights to collectively express their concerns.

- Grievance Mechanisms: Companies should provide safe and accessible channels through which employees and other stakeholders can report complaints. Grievances should be investigated fairly and resolved within a reasonable time.
- Supply Chain Ethics: Businesses should ensure that suppliers and contractors follow appropriate ethical, labour, environmental, and human rights standards. Regular monitoring and due diligence can help identify violations.

Principle 6: Environmental Protection and Restoration

This is one of the most visible BRSR Principles because it directly connects to climate action and environmental sustainability. Businesses are expected to reduce their environmental impact and use resources responsibly.

- GHG Emissions (Greenhouse Gas): Companies should measure and reduce greenhouse gas emissions generated through their operations. Reducing emissions helps address climate change and improves environmental sustainability.
- Energy Management: Businesses should use energy efficiently and reduce unnecessary energy consumption. They should also explore cleaner and renewable sources of energy.
- Water Stewardship: Companies should use water responsibly and minimise wastage. They should also take steps to conserve water and prevent contamination of water resources.
- Biodiversity Protection: Businesses should minimise activities that damage forests, wildlife, ecosystems, and natural habitats. Operations should be planned to protect biodiversity and ecological balance.
- Waste Management: Companies should reduce waste and manage unavoidable waste responsibly. The preferred approach is Reduce → Reuse → Recycle → Recover → Dispose safely.

- Pollution Control: Businesses should control air, water, soil, noise, and other forms of pollution generated by their operations. Appropriate technologies and monitoring systems should be used to reduce environmental harm.
- Renewable Energy Adoption: Companies should increase the use of renewable energy sources such as solar, wind, and other clean energy alternatives. This can reduce dependence on fossil fuels and lower carbon emissions.

Principle 7: Responsible Public Policy Engagement

Principle 7 of BRSR focuses on how businesses interact with government, policymakers, regulators, and industry associations. Businesses may participate in discussions about laws, regulations, taxation, environmental standards, labour policies, and other public issues.

- Ethical Lobbying: Companies should communicate with policymakers honestly and should not use bribery, improper influence, or misleading information to influence government decisions.
- Transparent Policy Participation: Businesses should clearly disclose their participation in public policy discussions where appropriate. Their positions should be based on legitimate business and societal interests.
- Industry Collaboration: Companies may work with industry associations to develop responsible standards and contribute to constructive policy discussions. Collaboration should not be used for anti-competitive activities.
- Responsible Representation: Businesses should represent their interests accurately and responsibly when communicating with government authorities and policymakers. They should respect laws and democratic processes.

Principle 8: Inclusive Growth and Community Development

Principle 8 of BRSR focuses on ensuring that business growth contributes to the overall development of society and local communities. Businesses should create opportunities that benefit not only the organisation but also the communities in which they operate.

1. Livelihood Generation

Businesses can help people earn a stable and sustainable income by creating jobs and employment opportunities. They can also support entrepreneurship, skill development, and local businesses.

2. Community Investment

Companies may invest in the development of communities where they operate. Investments can support areas such as education, healthcare, sanitation, infrastructure, and livelihood development.

3. Local Development Initiatives

Businesses can undertake initiatives that address the specific needs of local communities. These may include improving schools, healthcare facilities, roads, drinking water, sanitation, and other essential services.

Principle 9: Responsible Consumer Engagement

The final BRSR Principle focuses on customer responsibility and consumer trust. Businesses should ensure that customers receive safe products, accurate information, fair treatment, and proper mechanisms for addressing complaints.

- Responsible Marketing: Companies should advertise and promote their products honestly and responsibly. Marketing should not mislead consumers or exploit vulnerable groups.

- Customer Privacy: Businesses should respect customers' personal information and collect only the data necessary for legitimate purposes. Customer information should not be misused or disclosed without appropriate consent.
- Product Transparency: Companies should provide clear information about product features, quality, ingredients, risks, prices, and terms and conditions. Consumers should have enough information to make informed choices.
- Data Protection: Businesses should protect customer data from unauthorised access, misuse, loss, or disclosure. Appropriate security measures should be implemented to safeguard personal information.
- Customer Grievance Management: Companies should provide accessible channels for customers to register complaints and seek solutions. Complaints should be addressed fairly, promptly, and transparently.
- Fair Communication Practices: Companies should communicate with customers in a way that is clear, truthful, understandable, and non-discriminatory. Important terms, conditions, risks, and limitations should not be hidden or presented in a misleading manner.

GRI

GRI stands for Global Reporting Initiative. It is an internationally recognised framework used by organisations to report their economic, environmental, and social impacts in a transparent and comparable manner.

GRI – Global Reporting Initiative

The GRI Standards help organisations identify and disclose information about their impacts on the economy, environment, and people. They are widely used for sustainability reporting and help stakeholders understand how responsibly an organisation operates.

Key Areas Covered by GRI

1. Economic Impacts:
   GRI covers areas such as economic performance, market presence, indirect economic impacts, procurement practices, and anti-corruption. It helps stakeholders understand how the organisation contributes economically.

2. Environmental Impacts:
   Organisations report their impact on climate change, energy, water, biodiversity, emissions, waste, and environmental compliance. This helps measure progress towards environmental sustainability.

3. Social Impacts:
   GRI covers employee practices, occupational health and safety, diversity, human rights, communities, and consumer-related issues. It helps organisations demonstrate their responsibility towards people.

4. Human Rights:
   Organisations are expected to disclose information regarding human rights practices, child labour, forced labour, discrimination, and other human-rights-related impacts.

5. Labour Practices:
   GRI encourages reporting on employment, employee benefits, training, diversity, equal opportunities, and workplace health and safety.

6. Community Impact:
   Companies report how their operations affect local communities and describe initiatives related to community development, education, healthcare, and livelihood generation.

7. Customer and Consumer Responsibility:
   GRI includes issues such as customer health and safety, product information, responsible marketing, customer privacy, and compliance with product-related regulations.

Structure of GRI Standards:

1. Universal Standards (GRI 1, 2, 3): Apply to all organisations — cover foundation, general disclosures, and material topics.

2. Sector Standards: Tailored standards for specific industries (oil and gas, agriculture, mining, financial services, etc.).

3. Topic Standards (GRI 200s, 300s, 400s): Cover specific topics — Economic (200), Environmental (300), Social (400).

Series	Category	Key Topics
GRI 200 series	Economic	Economic performance, indirect economic impacts, procurement, anti-corruption, anti-competitive behaviour, tax
GRI 300 series	Environmental	Materials, energy, water, biodiversity, emissions, waste, supplier environmental assessment
GRI 400 series	Social	Employment, labour relations, health & safety, training, diversity, child labour, human rights, community

Example of GRI

Feature	Details
Full Form	Global Reporting Initiative
Nature	Independent international non-profit organisation
Headquarters	Amsterdam, Netherlands
Founded	1997 (first guidelines in 2000)
Reporting Type	Voluntary (but strongly encouraged by investors)

Feature	Details
Framework	GRI Universal Standards + Sector Standards + Topic Standards (200, 300, 400 series)
Scope	Economic, Environmental, and Social performance
Users	Over 10,000 organisations in 100+ countries report using GRI

Corporate Social Responsibility (CSR) Reporting

CSR — Full Form and Meaning:

CSR stands for Corporate Social Responsibility. It refers to a company's voluntary (and in India, now partly mandatory) commitment to contribute positively to society and the environment, beyond its legal obligations and profit motive.

Background — CSR in India:

India was the first country in the world to make CSR spending legally mandatory. Section 135 of the Companies Act, 2013 introduced mandatory CSR for qualifying companies.

Who Must Comply with Mandatory CSR (Section 135)?

A company must comply with Section 135 if it meets any ONE of the following three criteria in any financial year:

- Net Worth of Rs. 500 crore or more, OR
- Turnover of Rs. 1,000 crore or more, OR
- Net Profit of Rs. 5 crore or more.

Mandatory Spend:

Qualifying companies must spend at least 2% of their average net profit of the preceding three financial years on CSR activities. Unspent CSR amount must be transferred to a special account and spent within 3 years, or transferred to a fund specified under Schedule VII of the Companies Act.

CSR Activities — Schedule VII of Companies Act, 2013:

CSR Activities under Schedule VII of the Companies Act, 2013

1. **Eradicating Hunger, Poverty, and Malnutrition:**
   Companies can support food security, nutrition programmes, and poverty reduction initiatives. They may provide meals, nutritional support, or livelihood assistance to disadvantaged people.
2. **Promoting Education, including Special Education:**
   Companies can support schools, scholarships, vocational training, and educational infrastructure. Special attention may be given to children and persons requiring special education.
3. **Promoting Gender Equality and Empowering Women:**
   CSR activities can promote equal opportunities and improve the social and economic position of women. Companies may support skill development, employment, education, and women's welfare programmes.
4. **Environmental Sustainability and Ecological Balance:**
   Companies can undertake activities related to environmental protection, conservation of natural resources, and pollution reduction. Examples include tree plantation, water conservation, and renewable energy initiatives.
5. **Protection of National Heritage, Art, and Culture:**
   Companies can contribute to the preservation and restoration of historical monuments, traditional arts, and cultural heritage. They may also support museums, cultural programmes, and traditional crafts.
6. **Benefit of Armed Forces Veterans and Their Dependents:**
   Companies can support the welfare of ex-servicemen, war veterans, and their families. Assistance may include education, healthcare, rehabilitation, and livelihood support.

7. **Promoting Sports at National and International Level:**
   Companies can encourage sports development by supporting athletes, training programmes, and sports infrastructure. Special support may be provided to promising athletes and recognised sports disciplines.
8. **Contribution to PMNRF and Similar Funds:**
   Companies may contribute to the Prime Minister's National Relief Fund and other eligible funds for social welfare and emergency assistance. Such contributions can support people affected by disasters and other serious situations.
9. **Rural Development and Slum Development:**
   Companies can improve living conditions in rural and economically weaker communities. Activities may include sanitation, drinking water, housing, infrastructure, skill development, and livelihood programmes.
10. **Disaster Management, Relief, and Rehabilitation:**
    Companies can provide financial and material assistance during natural or other disasters. CSR support may include immediate relief, medical assistance, reconstruction, and long-term rehabilitation.

CSR Governance Structure:

- CSR Committee: All qualifying companies must constitute a CSR Committee of the Board, with at least one independent director. The Committee formulates and recommends the CSR Policy and monitors its implementation.
- CSR Policy: The company must formulate a CSR Policy, publish it on its website, and include a CSR report in its Annual Report.
- Annual CSR Report:
  Must be included in the Directors' Report. It discloses the CSR activities undertaken, amount spent, and reasons for any shortfall.

Difference Between CSR, BRSR, and GRI

Aspect	CSR	BRSR	GRI
Full Form	Corporate Social Responsibility	Business Responsibility and Sustainability Report	Global Reporting Initiative
Type	Spending requirement + reporting	Mandatory disclosure (ESG)	Voluntary reporting framework
Mandatory?	Yes (Section 135, for qualifying companies)	Yes (top 1,000 listed companies)	No (voluntary)
Governed By	Companies Act 2013 / MCA	SEBI	Independent NGO (Amsterdam)
Focus	Social spending & activities	ESG performance disclosure	Economic, Environmental, Social
Primary Goal	Social benefit through spending	Transparency & accountability	Global comparability of sustainability data

ETHICAL DECISION MAKING PROCESS

‘4.1 Introduction to Ethical Decision-Making

What is Ethical Decision-Making?
Ethical decision-making refers to the process of evaluating and choosing among alternatives in a manner that is consistent with ethical principles. In making these decisions, it is necessary to perceive and eliminate unethical options and select the best ethical alternative. It helps managers and employees choose actions that are morally correct, socially acceptable, and legally appropriate.

The Three Pillars of Ethical Decision-Making
According to business ethics frameworks, this process specifically requires a combination of three key elements:

1. Commitment: The desire to do the right thing regardless of the cost.
2. Consciousness: The awareness to act consistently and apply moral convictions to daily behaviour.
3. Competency: The ability to collect and evaluate information, develop alternatives, and foresee potential consequences and risks.

Ethical Challenges in Modern Business
Business organizations today face several ethical challenges. Categorizing your list into specific functional areas can help students understand how these issues appear in daily operations:

- Marketing Challenges: Misleading advertisements, deceptive pricing, portraying hurtful stereotypes, and customer data privacy issues.
- Human Resource Challenges: Workplace discrimination (based on race, gender, or disability), favoritism, and privacy issues like unauthorized mail scanning.
- Production & Operations Challenges: Environmental pollution, global warming, use of hazardous technologies, and ignoring worker health and safety.

- Financial Challenges: Faking numbers, asset misappropriation, unfair trade practices, and hiding losses from potential investors.

Indian Ethos in Ethical Decision-Making:

According to business ethics scholars, ethical behaviour in business develops through personal values, organizational culture, and social expectations. The Indian philosophical tradition provides a strong framework for this. According to the Indian Shastras, business values should be rooted in principles like Dharma (Righteousness that upholds the organizational and social fabric) and Loka Sangraha (Public Good—working not just for personal gains but for the welfare of society). As the Rigveda states, "Let us come together; let us think together; let us combine our intellectual strength; let our collective brilliance shine."

4.2 Important connotation:

4.2.1 Value:

What Are Values?
Values are our deep, internal beliefs that guide our behaviour and help us decide what is right or wrong, and good or bad. They shape our personality and how we act in our personal and professional lives. Simply put, values are long-lasting beliefs that point us toward good behaviour. For example, if an employee values honesty, they will never cheat a customer just to make a quick profit.

7 Key Values in Business

Here are the most important values, along with real-life examples of how companies use them:

1. Honesty: Always telling the truth, being transparent, and never cheating.
   Example: The Tata Group is famous for building deep public trust through its honest business practices over many years.

2. Integrity: Doing the right thing consistently, even when nobody is watching you.
   Example: Narayana Murthy led Infosys with high integrity, focusing on transparency and accountability.

3. Respect: Treating everyone equally, politely, and with dignity, regardless of their background.
   Example: Microsoft promotes a culture where everyone feels respected and included.

4. Responsibility: Doing your job sincerely and taking ownership of your actions.
   Example: During the COVID-19 pandemic, Reliance Industries took responsibility by supplying oxygen and healthcare aid.

5. Compassion: Showing kindness and caring about the welfare of others and the planet, rather than just focusing on making money.
   Example: Patagonia is loved globally for its deep care and protection of the environment.

6. Discipline: Maintaining self-control, punctuality, and a strong commitment to your work.
   Example: Toyota became a worldwide success because of its highly disciplined production and quality systems.

7. Fairness: Treating everyone equally without any bias or favouritism.
   Example: Many large global companies use strict rules to ensure they hire and treat people fairly, regardless of their race or gender.

Why Are Values Important in Business?

- Guide Employees: Clear values act as a compass. They stop people from doing bad things like fraud and help maintain a disciplined workplace.

- Build Trust: Customers, suppliers, and investors want to work with honest companies. For example, Wipro has earned massive trust over time because of its strong ethical standards.

- Create a Great Work Culture: When a company is fair and respectful, employees are happier, teamwork improves, and there are fewer arguments.

- Boost Reputation: People love buying from responsible businesses. The Body Shop, for instance, is famous worldwide for being environmentally friendly and cruelty-free.

- Bring Long-Term Success: Ignoring ethics might make a company quick money, but it usually leads to legal trouble and ruined reputations. Sticking to good values ensures a business survives and grows steadily for a long time.

4.2.2 Moral:

Meaning of Moral:
Morals are the rules and beliefs that a society uses to decide what is right and what is wrong. Morals refer to standards and beliefs regarding right and wrong behaviour. Morals are developed through family upbringing, religion, traditions, education, social interaction, and cultural environment. Morals guide individuals in deciding what behaviour is ethically acceptable in society. They influence personal conduct and encourage responsible behaviour toward others.

For example:

- Helping poor people is considered morally good.
- Corruption and cheating are considered morally wrong.

Thus, morals influence human character and social behaviour.

Characteristics / Key Features of Morals:

1. Morals are Based on Social Beliefs
   Morals develop from social customs, traditions, religion, and collective beliefs accepted by society. Different societies may have different moral expectations depending on culture and historical background.
   For example, honesty and respect are universally accepted moral standards, though certain social practices may differ across countries.

2. Define right and wrong
   The primary function of morals is to distinguish ethical behaviour from unethical behaviour. Morals help people understand: What should be done, what should be avoided, what behaviour is socially acceptable.
   For example:

- Truthfulness is morally right.
- Fraud and exploitation are morally wrong.

3. Morals Vary Across Cultures and Societies
   What is considered normal or polite behaviour in one country might be different in another, which is why global companies often give their staff cross-cultural training. However, basic values like fairness and honesty are respected almost everywhere.

4. Moral influence personal behaviour
   Strong morals help build a good personality, making a person more disciplined, responsible, and respectful of others.

5. Morals Encourage Social Harmony
   When people act morally, there is more trust, less crime, and better teamwork within the community. Morality is essential for stable and peaceful social life.

4.2.3 : Principle:

Principles are basic rules or fundamental truths that guide how we behave and make decisions. They act as an ethical compass, helping individuals and businesses figure out what is fair, right, and acceptable, even in difficult situations. Instead of just focusing on making a profit, principles ensure a business acts responsibly.

According to ethical philosophy:
"Principles are fundamental standards of conduct that guide ethical decision-making and behaviour."

For example:

• A company following the principle of honesty will avoid false advertising.
• A manager following the principle of justice will treat all employees fairly.

Characteristics / Key Features of Principles:

1. Principles Guide Human Behaviour

Principles act as standards that help individuals decide how they should behave in different situations. They influence ethical decision-making and encourage responsible conduct.

For example, a manager guided by ethical principles will avoid corruption even if unethical activities provide short-term profits.

2. Principles Promote Consistency in Actions

Principles ensure that decisions are taken fairly and consistently rather than based on personal bias or emotions.

For example, if an organization follows the principle of equality,all employees will receive fair treatment irrespective of gender, religion, or social background.

3. Principles Encourage Ethical Decision-Making

Ethical principles help managers decide what is right and wrong. They help in choosing fair and responsible actions during difficult situations.

4. Principles Build Organizational Discipline

Ethical principles create discipline in organizations. Employees understand proper behaviour, responsibilities, and organizational values, which reduces unethical activities.

5. Principles Promote Trust and Credibility

Businesses that follow ethical principles gain trust from customers, employees, and investors. Ethical behaviour improves reputation, customer loyalty, and employee satisfaction.

Why Principles Important in Business?:

• **Build Discipline:** Clear principles help employees understand what behavior is expected. This stops bad practices like fraud, corruption, and harassment.

• **Ensure Fairness:** Important business decisions are made based on equality rather than personal bias or favouritism.

• **Create Trust:** Customers, employees, and investors are much more loyal to a business that is open, honest, and respectful.

• **Bring Long-Term Success:** Companies that ignore principles often face legal trouble and ruined reputations. Sticking to good principles ensures a business grows steadily and survives for a long time.

4.2.4 : Ethics:

Ethics is the study of moral principles that help us figure out what is right and what is wrong. It teaches us to behave honestly, fairly, responsibly, and respectfully in both our personal lives and our jobs. In the business world, ethics means making decisions that are transparent, socially responsible, and morally acceptable. It acts as a guide to help companies avoid bad practices like fraud, corruption, and false advertising.

According to Andrew Crane and Dirk Matten:

"Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

Characteristics / Key Features of Ethics:

1. Focuses on Moral Behaviour: It helps people understand the difference between good actions (like telling the truth) and bad actions (like cheating).

2. Guides Human Actions: Ethics acts as a map, helping managers and employees make fair decisions and treat everyone honestly.

3. Promotes Social Welfare: Ethical businesses care about public interest, not just making money. *Real-life Example:* The Tata Group is famous for its social welfare work in education, healthcare, and rural development.

4. Encourages Responsible Business: It ensures companies focus on product quality, customer safety, and the environment. *Real-life Example:* Patagonia is globally known for its eco-friendly and sustainable production methods.

5. Supports Fairness and Justice: It pushes for equal opportunities and a workplace free of discrimination, where employee rights are respected. *Real-life Example:* Infosys is highly respected in India for its transparent and fair professional practices.

Main Objectives of Business Ethics

1. To Protect Stakeholders: It ensures everyone connected to the business is treated well—customers get safe products, employees get fair wages, and investors get accurate financial information.

2. To Ensure Fair Practices: It promotes honest advertising, fair pricing, and high-quality products, which builds strong customer loyalty.

3. To Stop Corruption: Clear ethical rules prevent bribery, fraud, and the abuse of power. *Real-life Example:* Top IT companies like Wipro and Tata Consultancy Services (TCS) use strict anti-corruption policies to maintain high standards.

4. To Build a Great Reputation: A company known for honesty and social responsibility will easily attract more customers, investors, and talented employees.

5. To Encourage Corporate Responsibility: Ethics motivates businesses to give back to the community and protect the planet. *Real-life Example:* Unilever focuses heavily on environmental conservation and sustainable business practices.

4.2.5 : Ethical Dilemma:

An ethical dilemma is a situation in which a person faces difficulty in choosing between two or more alternatives where each option has moral consequences. In such situations, choosing one option may lead to compromising another ethical value or responsibility.

Definition of Ethical Dilemma

An ethical dilemma is:

"A situation involving conflict between moral principles where choosing one option may result in compromising another."

Characteristics / Key Features of Ethical Dilemma:

1. Conflict Between Values: Good values often fight against each other. *For example,* if an employee discovers fraud, they face a clash between being loyal to their company and being honest with society.

2. Multiple Choices: There are usually several ways to handle the problem, but no perfect answer. *For instance,* a company losing money has to choose between firing workers, cutting salaries, or raising prices—each choice affects different people in a negative way.

3. Moral Confusion: It is often unclear what the "right" action is. Sometimes a decision, like laying off staff, is good for the business's financial survival but very painful for the employees' families.

4. Tough Consequences: Whatever you choose, there will likely be a difficult result, like financial loss or public criticism. *Real-life Example:* Johnson & Johnson took a massive financial hit when they recalled their Tylenol products to keep customers safe, but it proved their ethical responsibility.

5. High Pressure: Managers face intense pressure from bosses, investors, and the government to succeed. *Real-life Example:* The massive pressure to beat the competition led Volkswagen to make unethical decisions and cheat on environmental emission tests.

Examples in Business:

- **Data Privacy:** Making a quick profit by selling customer information without their permission.
- **Marketing:** Tricking customers with misleading advertisements to increase sales.
- **Human Resources:** Hiring a friend or relative because of personal pressure, instead of hiring the most qualified candidate.
- **Environment:** Saving money by ignoring pollution controls, which ultimately harms public health.

Why is it Important to Understand Ethical Dilemmas?

• **Better Choices:** It helps managers slow down, think carefully, and make responsible decisions.

• **Protects People:** It ensures the business does not harm its customers, workers, or society.

• **Prevents Trouble:** Companies that handle these dilemmas well avoid legal penalties, scandals, and ruined reputations.

• **Builds Trust:** Dealing with tough problems ethically improves the company's culture and ensures long-term success.

4.2.6 Relationship Between Values, Morals, Principles and Ethics:

Concept	Meaning	Scope
Values	Personal beliefs	Individual
Morals	Standards of right and wrong	Society
Principles	Rules guiding conduct	Professional
Ethics	Study of moral behaviour	Individual + Organization + Society

4.3 Indian system of ethics: Karmayoga

Karmayoga means the "Path of Selfless Action." The system of ethics and religion in the Indian context is Karma- which is described in The Bhagwad-Gita.

The word "Karma" means action or duty, and "Yoga" means discipline or path. Therefore, Karmayoga means the "Path of Selfless Action."

Karmayoga teaches that individuals should perform their duties sincerely, honestly, and responsibly without selfish motives or excessive attachment to rewards and results. According to this philosophy, work itself is considered a form of worship when it is performed with dedication, discipline, and ethical behaviour.

The Bhagavad Gita explains that individuals have control over their actions but not over the results of those actions. Therefore, a person should focus on performing duties properly rather than worrying excessively about success or failure.

Karmayoga encourages:

I. Duty-oriented behaviour

II. Selfless service

III. Discipline

IV. Ethical conduct

V. Social welfare

VI. Mental balance

This philosophy is highly relevant in modern business management because it promotes ethical leadership, responsibility, honesty, and commitment toward work.

4.3.1 Teachings of Karmayoga / Core Teachings of Karmayoga:

1. One Should Perform Duties Sincerely:

Karmayoga teaches that every individual must perform duties honestly and sincerely without negligence. A person should give full effort and dedication while performing responsibilities. In organizations, employees and managers are expected to complete their work ethically and responsibly. Sincere performance of duties improves efficiency, productivity, and organizational discipline.

Example: a teacher who sincerely teaches students without focusing only on salary reflects the principle of Karmayoga.

2. Actions Should Be Without Selfish Attachment

Karmayoga emphasizes selfless action. It teaches that work should not be performed only for personal gain, fame, or rewards. Individuals should avoid greed, selfishness, and excessive personal interest while performing duties. Selfless work benefits both society and organizations.

Example: Mahatma Gandhi strongly believed in selfless service and social welfare. His actions for India’s freedom and social reform were based on duty and sacrifice rather than personal benefit.

3. Work Should Be Dedicated to the Welfare of Society

Karmayoga teaches that work should contribute positively toward society and public welfare. In the modern corporate world, this translates into Corporate Social Responsibility (CSR), environmental protection, and employee welfare.

Example: The Tata Group is globally recognized for balancing business growth with massive contributions to education, healthcare, and rural development.

4. Results Should Not Control Ethical Behaviour

As the Bhagavad Gita famously states, “You have the right to perform your duty, but not to the fruits of your actions”. This means individuals should focus on doing the right thing, maintaining their honesty and moral discipline, without resorting to unethical methods just to achieve a quick profit or success.

4.3.2 Five Key Principles of Karmayoga / Principles of Karmayoga:

1. Duty:

The principle of duty teaches that individuals should perform their responsibilities honestly and sincerely. Every person has duties toward family, organization, society, nation. Karmayoga considers duty as a moral responsibility rather than a burden. In organizations, employees who perform duties responsibly contribute toward organizational success and ethical culture.

Example: Dr. A. P. J. Abdul Kalam is remembered for dedication, discipline, and sincere commitment toward national development and scientific progress.

2. Selflessness

Selflessness means performing work without selfish motives, greed, or excessive attachment to personal benefit. A selfless person works for collective welfare and social good rather than only personal gain. Such leadership improves employee trust and motivation.

Example: Ratan Tata is widely respected for ethical leadership, humility, and social welfare initiatives through the Tata Trusts. His leadership style reflects responsibility toward society rather than only profit maximization.

3. Discipline

Discipline means maintaining consistency, punctuality, self-control, and commitment toward work. Karmayoga teaches that disciplined actions improve personal growth and organizational efficiency.

Example: Toyota is globally known for disciplined production systems, quality management, and operational efficiency. Its disciplined work culture contributed significantly to business success.

4. Dedication:

Dedication means performing work with full commitment, concentration, and sincerity. Dedicated individuals focus on quality and responsibility rather than only rewards or recognition. Organizations with dedicated workforce achieve long-term growth and stability.

Example: Narayana Murthy demonstrated dedication toward building ethical corporate culture and professionalism in the Indian IT industry.

5. Detachment from Result

Detachment from result means focusing on actions and efforts rather than becoming emotionally attached to success or failure. Karmayoga teaches that individuals should perform duties ethically without using unethical methods for achieving results. Managers who focus only on results may engage in unethical practices such as manipulation or fraud.

Example: During difficult business situations, many ethical organizations continue following legal and ethical standards even when profits decline temporarily. This reflects commitment toward ethical action rather than short-term rewards.

4.3.3. The Relevance of Karmayoga in Modern Business:

Applying the principles of Karmayoga creates highly effective, trustworthy organizations.

1. It encourages ethical leadership by teaching managers to focus on the welfare of their stakeholders rather than personal gain.
2. It actively reduces corruption, as selfless employees naturally avoid bribery, fraud, and the misuse of power.

3. By promoting discipline and building a responsible workforce, businesses can heavily improve their productivity, teamwork, and overall work quality.

Ultimately, organizations that practice Karmayoga earn deep organizational trust from their customers, investors, and society, ensuring long-term business success and stability.

4.4 Indian system of ethics: Bhagvat Gita

The Bhagavad Gita is one of the most significant Indian philosophical and spiritual texts, featuring a profound conversation between Lord Krishna and Arjuna on the battlefield of Kurukshetra. It provides timeless guidance on duty, morality, leadership, self-control, and decision-making. The central message is that individuals must perform their duties sincerely and ethically, without a selfish attachment to the rewards.

Today, these teachings are widely applied in modern business management, as they heavily emphasize responsibility, honesty, and mental discipline.

4.4.1 Ethical Teachings of Bhagavad Gita:

1. Nishkama Karma – Work Without Selfishness

Nishkama Karma means performing duties without selfish motives or excessive attachment to rewards and results. The Bhagavad Gita teaches that individuals should focus on sincere effort, honesty, and ethical actions instead of greed or personal gain. This principle encourages people to work responsibly without using unethical methods for success. In business organizations, Nishkama Karma promotes ethical leadership, honest work culture, dedication toward duties, and reduction in corruption and greed.

Example: Ratan Tata is often respected for emphasizing ethical business practices, social welfare, and nation-building rather than focusing only on personal profit.

2. Dharma – Perform Moral Duty

Dharma means moral duty, righteousness, and ethical responsibility. The Bhagavad Gita teaches that every individual should perform duties honestly and responsibly according to moral principles. A person should not avoid responsibility because of fear, confusion, or selfish interest. In business organizations, Dharma encourages responsible leadership, professional

ethics, accountability, and fair treatment toward stakeholders. Managers who follow Dharma make decisions based on fairness and ethical responsibility.
Example: Dr. A. P. J. Abdul Kalam is remembered for honesty, discipline, and dedication toward national service, reflecting commitment toward duty and ethical values.

3. Self-Control – Avoid Greed and Anger
The Bhagavad Gita teaches that individuals should control emotions such as greed, anger, ego, jealousy, and selfishness because these emotions negatively affect judgment and behaviour. Self-control helps individuals maintain mental balance and ethical conduct during difficult situations. In business, self-control helps managers make balanced decisions, avoid corruption, handle workplace pressure, and maintain professionalism. Leaders with self-control can effectively manage teams and avoid unethical practices.
Example: Infosys became known for disciplined management practices and ethical corporate culture under leaders who emphasized professionalism and self-discipline.

4. Truthfulness – Promote Transparency
Truthfulness is an important ethical teaching of the Bhagavad Gita. It teaches individuals to maintain honesty and transparency in speech and actions. Truthfulness strengthens trust, credibility, and moral character. In business organizations, transparency helps build customer trust, improve corporate reputation, reduce fraud, and strengthen stakeholder confidence.
Example: Tata Consultancy Services is widely recognized for transparent governance and ethical reporting practices, which helped build investor confidence and global reputation.

5. Equality – Respect All Stakeholders
The Bhagavad Gita teaches equality and respect toward all individuals. Every person should be treated fairly without discrimination based on caste, gender, religion, or social status. In business organizations, equality promotes inclusive work culture, employee satisfaction, teamwork, and fair decision-making. Organizations that respect all stakeholders develop positive organizational culture and strong ethical reputation.

Example: Microsoft has implemented diversity and inclusion programs promoting equal opportunity and respectful workplace culture.

4.4.2 The Importance of the Bhagavad Gita in Modern Management:

Modern scholars heavily rely on the Bhagavad Gita for practical business guidance:

1. **Ethical Leadership:** It trains leaders to act selflessly and prioritize the welfare of the organization over personal gain, which deeply improves corporate reputation and employee trust.
2. **Stress Management:** By teaching emotional balance and detachment from the anxiety of results, managers can remain calm and handle workplace pressure more effectively.
3. **Team Management & Conflict Resolution:** Principles of equality, respect, and self-control help leaders build cooperative teams and resolve workplace disputes peacefully and responsibly.
4. **Decision-Making:** It encourages managers to avoid greed and selfishness, guiding them to make rational, duty-oriented choices that protect stakeholder welfare.

4.5 Kautilya's Arthashastra:

The Arthashastra is an ancient Indian text written by Kautilya (also known as Chanakya or Vishnugupta) that provides profound practical guidance on governance, economics, administration, leadership, and ethics. Kautilya strongly believed that rulers and administrators must work responsibly for the welfare of society while maintaining strict discipline and accountability. Today, the ethical ideas from the sources remain highly relevant in modern business management and corporate governance.

4.5.1 Ethical Ideas in Arthashastra

1. Accountability – Officials Must Be Responsible

Kautilya believed that administrators and officials must remain responsible and answerable for their actions and decisions. According to the Arthashastra, misuse of power, dishonesty, and negligence should not be tolerated because they harm administration and public welfare. Accountability ensures that individuals perform duties sincerely and ethically. In modern

business organizations, accountability helps improve discipline, reduce corruption, increase transparency, and strengthen corporate governance.
Example: Infosys is often recognized for accountability and transparent governance practices in the corporate sector.

2. Discipline – Strong Administrative Control
Kautilya emphasized that discipline is necessary for maintaining order, efficiency, and proper administration. He believed that strict rules, monitoring systems, and proper control mechanisms help organizations function effectively and ethically. In business organizations, discipline improves productivity, professionalism, organizational efficiency, and ethical conduct. Employees who follow discipline maintain punctuality, responsibility, and quality in work.
Example: Toyota is globally known for disciplined operational systems and quality management practices that contributed to its success.

3. Welfare State – Public Welfare is Important
Kautilya believed that rulers should work for the welfare and prosperity of citizens. Public welfare was considered one of the most important responsibilities of governance. This idea is highly relevant in modern business where organizations are expected to contribute toward society and environmental protection. Businesses apply this principle through Corporate Social Responsibility (CSR), employee welfare programs, community development activities, and sustainable business practices.
Example: Tata Group has contributed significantly toward healthcare, education, rural development, and social welfare, reflecting the principle of public welfare.

4. Anti-Corruption – Punishment for Unethical Acts
Kautilya strongly opposed corruption and believed that strict punishment should be given for dishonest activities, fraud, bribery, and misuse of authority. He understood that corruption weakens administration and destroys public trust. In modern business organizations, anti-corruption policies help prevent fraud, improve transparency, build public trust, and strengthen ethical culture.
Example: Many multinational organizations today implement anti-bribery policies, compliance systems, and ethical guidelines to maintain legal and ethical standards in business operations.

5. Leadership – Wise and Ethical Governance

Kautilya believed that leaders should possess wisdom, discipline, intelligence, honesty, and ethical responsibility. According to him, a good leader should focus on public welfare, fair administration, ethical governance, and responsible decision-making. Ethical leadership helps organizations maintain trust, discipline, and long-term stability. In modern management, ethical leadership improves organizational trust, employee confidence, governance quality, and sustainability. Leaders who make fair and responsible decisions create positive organizational culture and stronger stakeholder relationships.

4.5.2 Business Relevance of Arthashastra

The principles of Arthashastra remain highly relevant in modern business management and corporate governance.

It contributes toward:

- Corporate governance
- Ethical administration
- Financial discipline
- Fraud prevention
- Leadership responsibility

Therefore, Arthashastra is considered an important source of ethical and administrative wisdom in Indian management philosophy.

4.6 Swami Vivekananda on Ethics:

Swami Vivekananda was a great spiritual leader and philosopher who emphasized character building, discipline, truthfulness, self-confidence, moral strength, and service to humanity.

According to Swami Vivekananda:

"Education is the manifestation of the perfection already in man."

Swami Vivekananda emphasized:

• Character building
• Service to humanity
• Truthfulness
• Discipline
• Self-confidence
• Moral strength

He believed that true education and ethics should develop moral values, self-discipline, courage, and social responsibility. His ethical teachings continue to influence education, leadership, and management practices.

4.6.1 Ethical Principles of Swami Vivekananda:

1. Character – Strong Moral Person:
Swami Vivekananda believed that character is the foundation of a successful and meaningful life. According to him, strong character includes honesty, discipline, responsibility, and moral courage. A person with good character remains ethical even during difficult situations and does not compromise values for personal gain. In business organizations, strong moral character helps leaders and employees maintain ethical culture and responsible conduct.
Example: Narayana Murthy is often respected for integrity, professionalism, and ethical corporate leadership.

2. Service – Service to Society
Swami Vivekananda emphasized selfless service toward humanity and society. He believed that helping others is one of the highest forms of ethical living. According to him, individuals and organizations should work not only for personal benefit but also for social welfare. In modern business, this principle is reflected through Corporate Social Responsibility (CSR), employee welfare programs, community development, and environmental protection activities.
Example: Akshaya Patra Foundation works toward providing meals and educational support to underprivileged children, reflecting the principle of service to society.

3. Truth – Honesty in Life

Truthfulness was considered an important ethical value by Swami Vivekananda. He believed that honesty and transparency develop trust, credibility, and moral strength. Individuals should always speak truth and avoid dishonesty, fraud, or deception. In business organizations, truthfulness improves corporate reputation, customer trust, ethical culture, and organizational credibility. Organizations that maintain honesty and transparency generally achieve long-term sustainability and stronger stakeholder relationships.

4. Fearlessness – Courage to Do Right

Swami Vivekananda encouraged individuals to remain fearless while following truth and ethical principles. Fearlessness means having courage to oppose injustice, corruption, and unethical behaviour even under pressure. Ethical leaders should take correct decisions without fear of criticism or loss. In business organizations, fearless leaders protect stakeholder interests, oppose corruption, and maintain integrity during difficult situations. This improves organizational ethics, governance, and public trust.

5. Discipline – Self-Control and Responsibility

Discipline means maintaining self-control, punctuality, responsibility, and consistency in actions and behaviour. Swami Vivekananda believed that disciplined life leads toward success, efficiency, and moral development. In organizations, discipline improves professionalism, work quality, efficiency, and organizational order. Disciplined employees contribute positively toward organizational growth and maintain ethical standards in workplace behaviour.

4.6.2 Importance of Swami Vivekananda's Ethics in Business

1. Encourages leaders to act honestly, responsibly, and ethically in professional life.
2. Promotes social responsibility and motivates organizations to contribute toward society and public welfare.
3. Helps employees develop discipline, honesty, self-confidence, and professional responsibility.
4. Encourages organizations to maintain integrity, transparency, and fairness in business activities.

5. Helps businesses build customer trust and positive corporate reputation.
6. Supports ethical leadership and responsible decision-making in organizations.
7. Encourages moral strength and courage to oppose corruption and unethical practices.
8. Helps businesses achieve long-term sustainability and stronger stakeholder relationships.
9. Provides valuable guidance for ethical management and responsible business practices in modern society.

4.7 Modern Approach to ethical decision making:

Flowchart (8 Steps):

1. **Identify Ethical Problem**

   Recognize and clearly define the ethical issue or dilemma.

   • Is it an ethical issue?

   • Does it involve harm or injustice?

   • Does it violate laws or values?

2. **Gather Relevant Facts**

   Collect complete, accurate and reliable information related to the issue.

   • What is the full situation?

   • What are the facts and data?

   • What are the laws & policies?

3. **Identify Stakeholders**

   Identify all individuals or groups who may be affected by the decision.

   • Employees

   • Customers

   • Shareholders / Society / Others

4. **Evaluate Alternatives**

   Identify and analyze all possible alternatives or courses of action.

   • Option 1 – Do nothing

   • Option 2 – Partial action

   • Option 3 – Full action

5. **Assess Consequences**

   Examine the positive and negative impact of each alternative.

   • Short-term Consequences

   • Long-term Consequences

   • Financial / Social / Legal Impact

   • Impact on Stakeholders

   • Reputation & Ethical Impact

6. **Choose Best Ethical Option**

   Select the most ethical, fair and responsible option after careful evaluation.

   • Most ethical & fair

   • Legally compliant

   • Best for stakeholders & society

7. **Implement Decision**

   Put the chosen ethical decision into action effectively.

   • Communicate the decision

   • Allocate resources

   • Execute the plan

   • Monitor implementation

8. **Review Outcomes**

   Evaluate the results and learn for continuous improvement.

   • Did it achieve the expected results?

   • What were the positive outcomes?

   • What improvements are needed?

   • Update policies & learn

Step 1: Identify the Ethical Issue

The first step in ethical decision-making is identifying whether the situation involves ethical concerns. Managers must recognize if a decision may affect the rights, interests, or welfare of stakeholders. Sometimes ethical issues are not immediately visible because organizations may focus mainly on financial or operational goals. Therefore, ethical awareness is essential.

Managers should carefully ask questions such as:

• Is anyone being harmed?

• Is the action fair?

• Is honesty involved?

• Does the action violate organizational values or laws?

Identifying ethical issues helps organizations prevent unethical behaviour before problems become serious.

Example: Suppose a company collects customer data through its mobile application. The management plans to sell this data to advertising companies for additional profit. Although the activity may increase revenue, it may violate customer privacy and trust. In this situation, managers must first recognize that the issue involves ethical concerns related to data privacy and transparency. Thus, identifying the ethical issue is the foundation of ethical decision-making.

Step 2: Gather Relevant Facts

After identifying the ethical issue, managers should collect complete, accurate, and reliable information before making decisions. Ethical decisions should not be taken based on assumptions, emotions, or incomplete data.

Managers must understand:

• Who will be affected by the decision

• What legal rules are involved

• What organizational policies apply

• What financial impact may occur

• What social consequences may result

Collecting proper information helps managers evaluate situations more fairly and responsibly.

Information Required in Ethical Decision-Making

Information	Explanation
Stakeholders involved	Identify people or groups affected by the decision
Legal implications	Understand laws and regulations related to the issue
Organizational policies	Check company rules, ethical codes, and procedures
Financial impact	Analyze possible profit, loss, or financial risk
Social consequences	Examine impact on society, environment, and public trust

Example: A pharmaceutical company discovers minor side effects in a medicine already available in the market. Before making a decision, management must gather complete facts regarding:

• Severity of side effects
• Number of affected customers
• Legal responsibilities
• Financial implications of product recall
• Impact on public health and company reputation

Collecting complete information helps management make ethical and responsible decisions.

Step 3: Evaluate Alternatives

After gathering facts, managers should identify and analyze different possible alternatives. Ethical dilemmas generally involve multiple options, and each option may have both advantages and disadvantages.

Managers should carefully compare alternatives based on:

• Legality
• Fairness
• Transparency
• Social responsibility
• Stakeholder impact

Evaluation Criteria in Ethical Decision-Making

Criteria	Meaning
Legality	Is the action legal according to laws and regulations?
Fairness	Is the decision fair to all stakeholders?
Transparency	Can the action be openly explained and justified?
Responsibility	Is the action socially and ethically responsible?

Example: Suppose a company faces financial losses and needs to reduce expenses. Management may consider:

- Reducing employee salaries
- Increasing product prices
- Reducing workforce
- Cutting unnecessary operational expenses

Each alternative affects stakeholders differently. Managers must carefully evaluate which option is ethically acceptable and least harmful.

Thus, evaluating alternatives helps organizations avoid biased and irresponsible decisions.

Step 4: Assess Consequences

After evaluating alternatives, managers should examine the possible consequences of each decision. Ethical decisions often create both positive and negative outcomes for organizations and stakeholders.

Consequences may be:

- Short-term or long-term
- Financial or social
- Positive or negative

Managers should carefully analyze how decisions may affect:

- Employees
- Customers

• Investors

• Society

• Organizational reputation

Assessing consequences helps organizations avoid harmful decisions and choose sustainable solutions.

Example: During the Tylenol crisis, Johnson & Johnson recalled products from the market after safety concerns were identified. The company faced short-term financial losses, but the decision protected customer safety and strengthened long-term public trust and corporate reputation.

This example shows that ethical decisions may involve temporary difficulties but provide long-term benefits.

Step 5: Choose Ethical Action

The final step is selecting and implementing the most ethical and responsible action. The chosen decision should:

• Respect ethical principles

• Protect stakeholder interests

• Follow laws and regulations

• Support organizational values

• Promote fairness and transparency

Managers should avoid decisions based only on personal benefit or short-term profit. Ethical actions should focus on long-term organizational sustainability and social responsibility.

Example: A company discovers that one of its products has quality defects. Instead of hiding the issue to avoid financial loss, management decides to:

• Inform customers honestly

• Recall defective products

• Improve quality control systems

Although the company may suffer temporary financial loss, the ethical decision protects customer trust and strengthens corporate reputation.

Thus, ethical action builds long-term credibility and stakeholder confidence.

Step 6: Implement the Decision

After selecting the ethical action, organizations must properly implement the decision. Proper communication, planning, and monitoring are important during implementation.

Managers should:

- Inform employees and stakeholders
- Ensure compliance with ethical standards
- Monitor execution carefully
- Provide support where necessary

Successful implementation ensures that ethical decisions produce positive outcomes.

Step 7: Review Outcomes

The final step is reviewing and evaluating the results of the decision. Organizations should examine whether the ethical decision achieved desired objectives and protected stakeholder interests.

Reviewing outcomes helps organizations:

- Identify mistakes
- Improve future decision-making
- Strengthen ethical policies
- Enhance organizational learning

Continuous evaluation improves ethical standards and organizational effectiveness.