



Ethics in functional areas

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- ❑ The environment is a significant and growing issue in business
- ❑ The **Kyoto Protocol**: An international treaty on climate change that commits nations to reducing greenhouse gas emissions
 - **Water pollution**: Results from dumping sewage and toxic chemicals in places where they can filter into water supplies
 - **Green energy** sources are perceived to have lower emissions or waste than traditional ones

Intellectual Property Rights and Privacy

- **Intellectual Property Rights** involve the legal protection of intellectual properties, such as music, books, and movies
- Many **privacy issues** in the business world
 - Employee use of technology
 - Consumer privacy
 - It can be a challenge for businesses today to meet the needs of consumers while protecting their privacy



A person in a dark shirt is sitting at a dark desk, looking at a computer monitor. Their hand is resting on their chin in a thoughtful pose. The background is a plain, light-colored wall.

Fairness and Integrity

- **Fairness:** The quality of being just, equitable, and impartial
 - ✓ Equality
 - ✓ Reciprocity
 - ✓ Optimization
- **Integrity:** One of the most important terms regarding virtue. It means uncompromising adherence to ethical values



What is marketing ethics?

- ☐ Principles and standards that define acceptable marketing conduct as determined by various stakeholder
- ☐ ME is the are of applied ethics which deals with the moral principles behind the operation and regulation of marketing
- ☐ Companies need to develop corporate marketing policies that will serve as a broad guidelines that everyone in the organisation must follow.
- ☐ Good ethics is a cornerstone of sustainable marketing.



- ME regardless of the product offered or the market targeted, sets the guidelines for which good marketing is practices
- When companies create high ethical standards upon which to approach marketing they are participating in ethical marketing
- To market ethically and effectively one should be reminded that all marketing decisions and efforts are necessary to meet and suit the needs of all stakeholders, competitors, community, suppliers and the environment.
- Ethical behaviour should be enforces throughout company culture and through company practice.



1. Salespeople

- a. Distortions – misleading information
- b. Use of personal charisma to sell
- c. Use of connections or threats
- d. Get salesperson to get in debt so they sell more

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2. Marketing research

- a. Distort findings to fit own views
- b. Pretend to be a study when it is really a sales pitch
- c. Report surveys not held or ask leading questions



3. Deceptive advertising and puffing

- a. Lies
- b. Puffing an exaggeration of the benefits through the selling process
- c. Puffing can be illegal if:
 - ✓ There is a probability of deception for most consumers
 - ✓ A reasonable consumer would believe the deception
 - ✓ The material would have you believe what is printed

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4. Product offerings

- a. Dangerous products
- b. Cause social or physical harm

5. Pricing

- a. Quote an original or nominal price that is sometimes dishonest
- b. High price for a short period then quote old to show appeal for the low price.



6. Consumers

- a. Safe goods: information about product quality, safety, content, usage purposes
- b. Right to choose
- c. right to be heard
- d. Right to compensation



2. FINANCE ETHICS

What is finance ethics?

Ethics in finance skillfully explains the need for ethics in the personal conduct of finance professionals and the operation of financial markets



✓ Ethics are standards of right and wrong, good and bad.

Ethics are concerned with what one ought to do to fulfill.





Ethics are standards of right and wrong, good and bad.

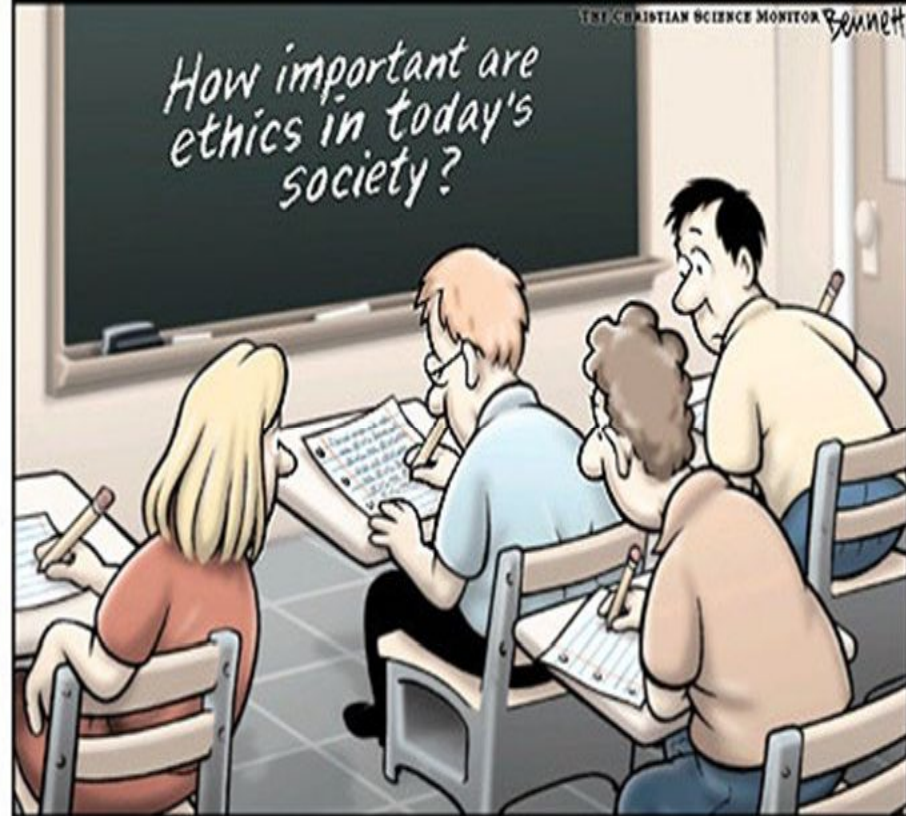
Ethics are concerned with what one ought to do to fulfill one's moral duty.

There are two aspects to ethics:
Being able to determine what is right or wrong, good or bad
Committing to doing what is right and good





Characteristics of Management Prone to Fraud





Unduly aggressive financial Targets

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**"You can illustrate our financial report with nudie photos,
but it's not the same thing as obscene profits."**



Domination by person or group without controls



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"All of these postgraduate degrees don't impress me at all. What I really need is a good liar. Can you do that?"



Pressure to reduce tax liabilities




Non-Financial personnel involved in
accounting matters

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**"You can correct my spelling and grammar,
but my ethics are none of your business!"**



Aggressive accounting practice to keep
stock prices high



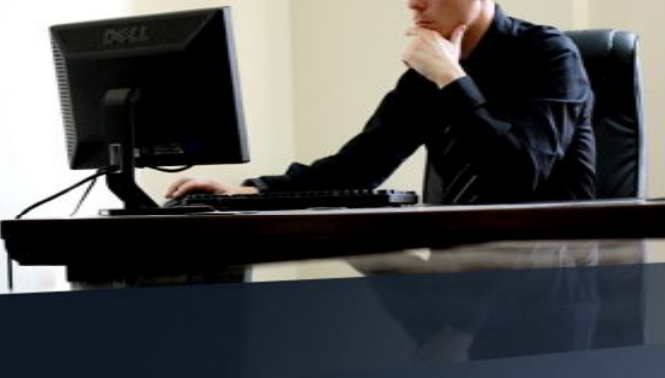
"THE BASCOMB DEAL SEEMS TO BE
FALLING APART, MISS WHITNEY -- I MAY
HAVE TO THROW YOU IN TO SWEETEN
THE POT."



Finance ethics include..

- a. Financial statements
- b. Hostile takeovers
- c. Financial markets
- d. Insider trading

Fraud in Financial statements

- 
- a. Fictitious revenues
 - b. Concealed liabilities and expenses
 - c. Fraudulent asset valuations
 - d. Improper or fraudulent disclosures or omissions



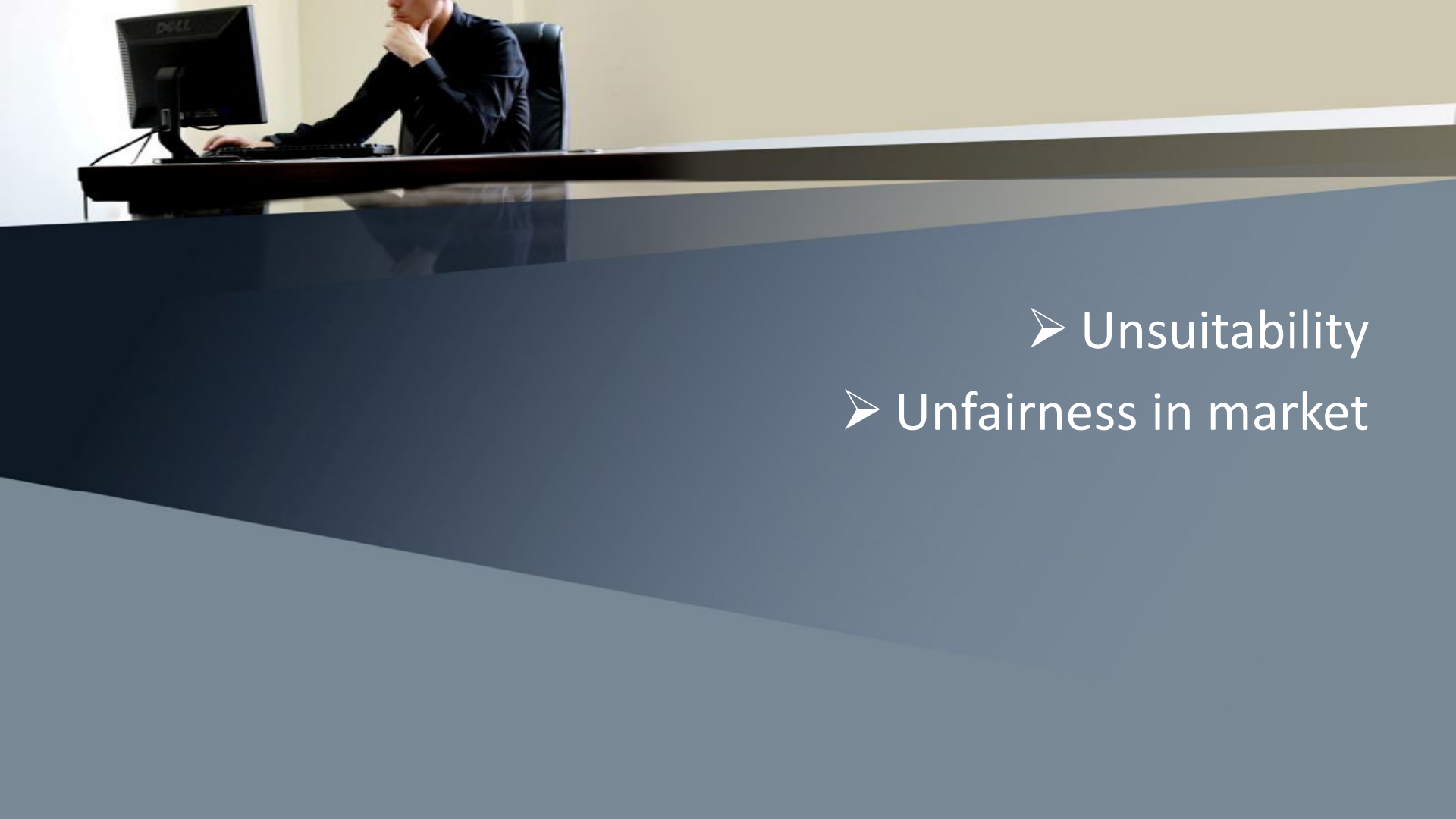
Ethical issues in financial markets

➤ Deception:

- act of misrepresenting relevant information

➤ Churning:

- excessive or inappropriate trading for clients account by a broker who has control over the account with intent to generate commission rather than to benefit client.



- Unsuitability
- Unfairness in market



Duties of an Auditor

- To give an accurate statement to the members about the state of affairs of a company To meet the objectives of the Companies Act 1985 and also the Articles of Association To be reasonably skillful and careful in identifying the true nature of the accounts



Ethical Audit

- An audit that assesses a business's structures, procedures, systems and policies. It measures the extent to which the activities of a business comply with the standards it has publicly declared to its external customers. It measures business conduct against varied moral standards of the community.



Objectives of Ethical Audit

1. To provide a critical assessment of functioning of business
2. To investigate into acquisition or restructuring operations
3. To determine the type of training necessary for employees
4. To establish ethical conduct of business
5. To enhance, measure and promote the quality that increases business performance by assessing them against the ethical business objective
6. To improve the quality of governance by evaluating the performance and ensuring that financial information is both available and reliable



Insider trading

- a. Buying and selling of a company shares on the basis of “inside” information. This information is normally available to company executives, consultants, auditors and their friend and relatives.
- b. Refers to trading on price sensitive information by company employees or individuals closely connected with the firm
- c. The information has not been disclosed to other market participants (public)



Who are insider traders?

Corporate officers, directors, and employees who traded the corporations securities after learning of significant, confidential corporate developments.

Friends, business associates, family members, and other types of such officers, directors, and employees, who traded the securities after receiving such information.



- Employees of law, banking, brokerage and printing firms who were given such information to provide services to the corporation whose securities they traded.
- Govt employees who learned of such information because of their employment by the Govt.
- Other persons who misappropriated, and took advantage of, confidential information from their employers.



In India.....

- Only 14 cases taken up by SEBI for insider trading in 2003-04, which went down to only 7 in 2004-05. In terms of cases completed, the no was only 9 and 5 respectively. So does India has fewer incidence of insider trading or our systems/laws not geared enough to detect such cases?



Insider Trading

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Ethics & Insider Trading

- It violates equality of opportunity Does not give a level playing field between insiders and outsiders
Might harm exchange as a whole because investors might not be willing to trade on exchange that does not give shareholders their rights.



Ethics and insider trading

1. It violates equality of opportunity
2. Does not give a level playing field between insiders and outsiders
3. Might harm exchange as a whole because investors might not be willing to trade on exchange that does not give shareholders their rights




03. Human Resource Management Ethics

Human Resource Management is a business function that is concerned with managing relations between groups of people in their capacity as employees, employers and managers.

Inevitably, this process may raise questions about what the respective responsibilities and rights of each party are in this relationship, and about what constitutes fair treatment. These questions are ethical in nature

Human aspect and human relations are applicable anywhere and in any department, hence individual behavior, group behavior, personality, attitudes, perception are some of the factors which have to be taken into account to evaluate fair-unfair, good-bad, or ethical – unethical behavior.

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- Recruitment based on financial favors
 - Gender based recruitments
 - Giving less minimum wages as fixed by the state.
 - Recruitment of under- or over qualified persons
 - Recruitment without assessing their capabilities



a. Employers

1. Creating split in unions.
2. Not caring for just demands of trade unions
3. Giving different treatment to different people in the same level.
4. Bias attitude in selection, transfer, promotions etc

b. Employees




False claim of ages, qualification and experience.


Producing fake certificates to obtain jobs.

Taking decisions very slowly or very fast to suit convenience of their own.


c. Government Agencies

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1. Announcing the vacancies and not taking actions further
 2. The government methods of selection is best suited to low paid jobs and not senior level post
 3. Functioning of government employment offices is not transparent, not reliable and purpose not well served.

Discrimination

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- ❑ Discrimination covers unequal treatment between individuals and groups and between men and women either based on race, gender color religion, nationality and place or origin.
 - ❑ Discrimination Practices
 - ✓ Unequal pay for equal work .
 - ✓ Different wages and salaries for men and women.
 - ✓ Treat handicapped in lower esteem.
 - ✓ Preferences for a particular religion Delay in promotions.
 - ✓ Faulty screening to avoid particular applicants
 - ❑ Reverse discrimination is an unfair treatment of a majority groups resulting from preferential policies, as in college admissions or employment, intended to remedy earlier discriminatory policies


Restructuring and layoffs

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- Human resource planning undergoes structuring of departments and these are periodically restructured to the under-listed reasons; New recruits
 - Lay off retirement and retrenchment
 - Promotions and transfer
 - Change of location, processes and products


Layoffs

- Layoff also called redundancy is the temporary suspension or permanent termination of employment of an employee or (more commonly) a group of employees for business reasons, such as when certain positions are no longer necessary or when a business slow-down occurs.

Unethical practices in restructuring and layoffs

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- ✓ To remove some employees who do not toe the line of management.
 - ✓ To create situations where in some unwanted employees leave the organization themselves.
 - ✓ Create panic in workers and staff to have an upper hand to deal with union members.
 - ✓ Keep away trouble creators and poor performers. This also serve as warning to others who do not perform well.

Whistle Blowing



If there is anything/ act/ behaviour of an employee that has evoked either strong endorsement or condemnation in equal measure – has come to known as “whistle Blowing”

An attempt of an employee or former of an organization to disclose what he/she believes to be wrong in or by the organization.

Whistle can be internal, external and interpersonal

Condition For Justifying Whistle Blowing


- A product or policy that will commit serious and considerable harm to the public.
- When the employee identifies a serious threat of harm to the consumer, employee, other stakeholder and things against his or her concern
- When immediate supervisors does not act
- Employees must have documented evidence that is convincing to a reasonable level
- Valid reasons to believe that reveals the wrongdoing to the public



Who is a whistle Blower?

- a whistle blower is a “person who informs on another or makes public disclosure of corruption or wrong-doing.
- Literally means – Bobbies (English) blow whistle when they notice the commission of crime.

Wrong Type Of Whistle Blowing

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- ❖ In case of disclosing business secrecy, inventions, future plans which are exclusive to the company
 - ❖ Whenever an employee remarks are irrelevant to the organization work and product
 - ❖ In case of wrong accusations which cannot be proved
 - ❖ Complaining against transfer, demotions, when such action is taken on the basis of routine performance appraisal

Precautions Before Whistle Blowing

- Whistle blowing has consequences of moral, legal, personal, economic, family and career demand.
- Be clear about
- Your intentions and likely consequences
- Allegations should be stated appropriately with document
- Take internal route
- Whistle blowing can be done openly or anonymously
- Consult a lawyer about possible legal battle and possible defense mechanisms



Alternatives to Whistle Blowing

1. Create an effective internal grievances system to both present and former employees.
2. Appreciate employees and even adopt reward system for solving problems through grievances redressed system.
3. Keep special officers in each unit to study
4. Punish with heavy fines or retrenchment of employees who indulge in unlawful and corrupt