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PAPER- CORPORATE GOVERNANCE & BUSINESS ETHICS

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LECTER NOTE

CORPORATE GOVERNANCE & BUSINESS ETHICS

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INTRODUCTION:

A business, also known as an enterprise or a firm, is an organization involved in the trade of goods, services, or both to consumers. Businesses are predominant in capitalist economies, where most of them are privately owned and provide goods and services to customers in interchange for other goods, services, or money. Business can refer to a particular organization or to an entire sector. For Example - agribusiness represent subsets of the word's broader meaning, which includes all activity by suppliers of goods and services. The goal is for sales to be more than expenditures resulting in a profit.

MEANING OF ETHICS

Ethics means norms for the conduct of people in social groupings. Ethics is derived from Greek word "Ethos" which means culture - the prevalent behavior in the society. Thus, it is a code of conduct which has social acceptance. Ethics has often been misunderstood to be conforming to law. On the contrary, ethics is about voluntarily conforming to what is good/acceptable/desirable behaviour without the force of any legal/social obligation. The key word here is VOLUNTARILY. It is about choosing to do something that is not mandated by the law or not doing something that is permitted by the law but may cause harm to someone.

DEFINITION OF ETHICS

Ethics refers to well-founded standards of right and wrong that prescribe what humans ought to do, usually in terms of rights, obligations, benefits to society, fairness, or specific virtues.

Ethics refers to the study and development of one's ethical standards. As mentioned above, feelings, laws, and social norms can deviate from what is ethical. So it is necessary to constantly examine one's standards to ensure that they are reasonable and well-founded. Ethics also means, then, the continuous effort of studying our own moral beliefs and our moral conduct, and striving to ensure that we, and the

institutions we help to shape, live up to standards that are reasonable and solidly-based.

IMPORTANT ETHICAL PRINCIPLES

1. Do not deceive or cheat the customers by selling substandard or defective products by under measurement or any other means.
2. Example : Textile merchants in general clear the defective stock under the guise of discounts.
3. Don not report to hoarding, black marketing or profiteering. Example: Management of theaters sells the tickets for higher prices during the initial days of release of a film starred by a crazy hero and heroine.
4. Do not destroy or distort competition. Treasure sincerity and accuracy in advertising, labeling and packaging. Ads of automobiles in general provide false details in every aspect.
5. Do not furnish the image of competitors by unfair practices. Publishing false information about competitors, bribing the retailers etc.
6. Make accurate business records so that transparency to the share holders can be achieved.
7. Pay taxes and discharge other obligations promptly.
8. Do not form castle agreements, even informal, to control production, prices etc. to the common detriment. Example: Cellular network providers will be in informal castle agreements to control the traffic.
9. Refrain from secret kick backs or pay logs to customers, suppliers, administrators, politicians etc.
10. Ensure payment of fair wages and fair treatment to the internal customers as well as external customers and share holders.

ETHICS IN CONTEXT OF GLOBALIZATION:

In the last few decades globalization has become the focal point of all businesses. Globalization has vital impacts on almost everything from society to environment, technology, transfer of information and knowledge, life and living status of people and culture but most specifically economy and business. All the organizations have responded to these changes rapidly. This has acted as a channel for growth, penetration into new markets and building a wide range of customer's pool. With this wide spread of business, corporations face many new challenges. And in this race to win and account for volumes of growth and success corporate look for gaining

competitive advantage by various strategic methods. The companies very well realize the importance of the customer, environment and society in the dynamic business world. With the advancement of technology, sharing of information is easy and easily accessed, and this raises the issue of how to gain competitive advantage. And one way the globalized business world has responded to this is by being Ethical in their conduct of business. Ethics and business have long been a topic of controversy.

Where many are of the view that both cannot sail in the same boat, some have made it an important element of their strategic business goals and fulfillment. Business ethics in the globalized world finds itself in the forefront of almost every vision and mission statements of the corporate. "Globalization is the progressive eroding of the relevance of territorial bases for social, economic and political activities, processes and relations."

Theories of Business ethics: Normative ethical theories: While Meta ethics is essential to ethics as a philosophical discipline, in courses on ethics (in particular, in courses whose audience is non-philosophers) normative ethical theories command the most attention. This attention is understandable, since the principal purpose that normative ethical theories serve is to articulate and advocate an ethical code, i.e., to provide justifiable and reliable principles to determine what is moral (and immoral) behavior. What are normative ethical theories?

What theories are is a controversial philosophical issue. In the most basic sense, theories are abstract conceptual constructs that attempt to describe and explain certain phenomena. Normative ethical theories then represent systematic attempts to describe and explain moral or ethical phenomena. As theories, all normative ethical theories share certain conceptual and structural characteristics. To be precise, in normative ethical theories it is possible to isolate a tripartite structure that comprises a moral standard, general moral principles and particular moral principles and judgments.

Moral standards represent the most fundamental and general principles that underlie normative ethical theories. There is a crucial difference between moral standards and moral principles or moral judgments. A moral standard provides the criteria that generate moral principles and moral judgments, i.e., it specifies what characteristics all moral actions must possess. Consider the utilitarian moral standard: Actions are moral to the degree that their consequences produce the most happiness. This principle represents neither a general moral principle nor a specific moral judgment; rather it determines what characteristics these principles and judgment must possess.

Virtue Ethical Theories The Virtue Ethical Theories hold that ethical value of an individual is determined by his character. The character refers to the virtues, inclinations and intentions that dispose of a person to be ready to act ethically.

1. Individual Character Ethics: The individual character ethics hold that the identification and development of noble human traits help in determining both the instrumental and intrinsic value of human ethical interactions. These noble traits are courage, self-discipline, prudence, gratitude, wisdom, sincerity, understanding, benevolence, etc.

2. Work Character Ethics: The identification and development of reflective, practitioner, noble traits at works such as creativity, honesty, loyalty, honor, trustworthiness, civility, dependability, shared work pride, empathy, etc. determine the intrinsic and instrumental ethical quality of work life.