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## Antecedents of Ethics: It's Reflection in Business

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### Abstract

Ethics concern an individual's moral judgments about right and wrong. Ethics is the standards of conduct that indicates how one should behave on moral duties and virtues, which themselves are derived from principles of right and wrong. Ethics consists of rationality toward the highest level of survival for the individual, the group, the future race and mankind and other parts of existence taken collectively. Business Ethics deals with issues regarding the moral and ethical rights, duties and corporate governance between a company and its shareholders, employees, customers, media, government, suppliers and dealers. The ethical issues in business have become more complicated because of the global and diversified nature of many large corporation and because of the complexity of economic, social, global, natural, political, legal and government regulations and environment, hence the company must decide whether to adhere to constant ethical principles or to adjust to domestic standards and culture. Ethics is important not only in business but in all aspects of life because it is the vital part and the foundation on which the society is build. No matter the size, industry or level of profitability of an organization, business ethics are one of the most important aspects of long-term success. This paper attempts to highlight few crucial aspects of ethics viz; the antecedents of ethics, relationship of ethics with analogous conceptions, rationale behind the development of ethical principles and relevance of ethical conduct at the workplace.

**Keywords:** Ethics, Business Ethics, Corporation and Ethical Principles

### Introduction

#### I. Antecedents Of Ethics

The term ethics is derived from the Greek word *êthos* meaning 'custom and usage,' it is more properly identified as originating from *swêdhêthos*, in which the concept of individual morality and behavioural habits are related and identified as an essential quality of existence. Shea in 1988 defines ethics as the principle of conduct governing an individual or a profession and 'standards of behaviour' (Murthy, 2004) [14]. Tandon (1994) [17] stated that ethics was advocated many decades back by the greatest Greek philosophers: Socrates, Plato and Aristotle. The creator of ethics as a study of morality was the Greek philosopher Socrates (470-399 BC), who used ethics to define the terms of human virtues. The most important personal values identified are: righteousness, courage, honesty, tolerance, goodness, sincerity and fairness. Bozovic (2007) [2] referred that in the field of ethics, Socrates and the entire Hellenic world saw the issue of goodness in human life i.e., happiness, as the most vital. Goodness is a human characteristic and the greatest moral value. Socrates believed that virtue can be taught, i.e. virtue is knowledge and added that knowing oneself is a prerequisite for happiness. Plato (428-427 BC) thought of happiness as an inner feeling and disrespect of ethical principles which leads to unhappiness. Thus, those who seek happiness must practice self-control and adjust their behaviour in conformity to ethical principles. A similar view was expressed by Plato in his "Republic", where he articulated that those who are happy are the ones who are just and who live an honest life, while those who are unjust are unhappy and the tyrant of the state also becomes the greatest tyrant of his own happiness. A man should strive towards his own happiness but he has an even greater aim of making his community happy. Similarly, Aristotle (384-322 BC) enumerates the basic principles that happiness can be divided into: wisdom, virtue and welfare. He sees happiness only as the subjective side of goodness. Aristotle thought that in order to do good, human impulses and instincts must always be governed by reason and may not be good in them. The Stoics and the Epicureans, Augustine, Aquinas, Spinoza, Kant and Hegel further contributed to the theory of ethics

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based on Aristotle's teaching.

Mathias (1994) <sup>[13]</sup> highlighted that the Indian history and culture offers a good ground for the rooting of business ethics. About 1000 to 1600 BC, the first definition of social and business ethics in India was framed. Tandon (1994) <sup>[17]</sup> further avowed that the history and culture of India offers a good ground for the rooting of business ethics. In Bhagvad Gita, Lord Krishna had laid down the rights and obligations of each individual. He affirmed that the manager must see that the task that has been assigned for him, not considering his personal gain or profit but must discharge his responsibility purely in terms of fulfillment and that which gives him satisfaction in true sense. In the Aryan ethical code, there were rights and obligations for the sons who inherited their father's property would also inherit the debts and the debts would go down to two generations. The Roman law laid down the similar obligations almost 1300 years later. In the Mauryan era the concept of accountability of the manager was first laid down. In the later centuries when India had various invasions, ethics had weakened and it no longer played the same role. But ethics did come back at the time of Akbar's regime since he conceptualized and designed something indispensable for regular ethical functioning i.e., a comprehensible and stable commercial framework. The British East India Company where ethics wavered till 1947 gave India a complex but a good system of rights, obligations, duties and an operational framework. Mahatma Gandhi too advocated that it is wrong to think that business is incompatible with ethics and it is possible to carry on business profitably and yet honestly and truthfully.

Of all the definitions given to the term 'ethics', the vital points has been summarised as under by Adam (2012) <sup>[1]</sup>:

- Identifying what is right and what is wrong,
- Identifying a generally acceptable standard of behavior,
- Identifying a system of moral principles and rules of conduct for a specific group of people or professionals and finally,
- Making specific choices of complying, obeying and practicing the right or deviating to the wrong side of the balance.

## II. Objectives Of The Study

The main objectives of the study are;

1. To study about the antecedents of ethics;
2. To examine the relationship of ethics with other analogous conceptions;
3. To analyse the rationale behind the development of ethical principles ; and
4. To study the relevance of ethical conduct at the workplace.

## III. Methodology Of The Study

Analytical research method has been applied to evaluate the issue of ethics and its relevance in the corporate world. The researcher have referred data from secondary sources viz; books, journals, articles, reports and from the internet as well to critically assess the research problem.

## IV. Significance Of The Study

An ethically managed organisation commands respect from the public as well as from the government organizations. An organisation that behaves ethically stimulates other acquaintances to behave ethically as well. 'Doing the right thing', 'Do no harm' and 'Good to all' are the general

expectations of the public from any organizations. High level of morale and productivity can be easily obtained in organizations that treat all their employees with equality, encourage good team and work culture and ethical practices. Employees who are treated ethically will more likely behave ethically themselves in dealing with customers and their other associates.

It is observed from the study that ethics has become a focus of paramount importance because of the following aspects:

- Business ethics are important because if an enterprise lacks ethics, the employees, the customers, and everyone else involved with the company can be harmed.
- When management is leading an organization in an ethical manner, employees follow in those footsteps. Employees make better decisions in less time with business ethics as a guiding principle; this increases productivity and overall employee morale.
- It attracts customers to the firm's products, which means boosting sales and profits.
- It encourages the employees to stay with the business, provides job security, reduce labour turnover and therefore increase productivity
- It attracts more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
- It attracts investors and keeps the company's share price high, thereby protecting the business from takeover.
- Ethical practices may also encourage the business to have a positive impact on the people and the environment by contributing in community programs, development of nearby areas, local charities, funding the educational needs of underprivileged children etc. While this practice benefits the company by allowing them to bypass additional taxes, it also sends out a positive message. This can bring in more customers, increase or enhance positive business relationships, and even allow the firm to add new employees.
- Ethical conduct assists the organization to comply with the laws and regulations, as what is ethical in most of the cases are also legal.
- Practice of ethics brings reputation to the business which in turn guides other businesses and individuals to make investment decision in the concern company.
- Ethical practices boost morale and promote esprit de corps. People can work in team harmoniously when they have trust on one another and the management.
- Existence and practice of ethics by the employees develops a great sense of dignity and pride as well as provides them with a sense of job security.

## V. Relationship Of Ethics With Analogous Conceptions

The following portrays the relationship of ethics with other similar concepts:

### 1. Ethics and Morality

Morality tends to be more universal and prescriptive and when there is a conflict between ethics and morality, the latter must succeed. A person may cheat in a game to win, in such a case the activity is considered unethical, it may not necessarily account for immoral as immorality is much greater character flaw than being unethical. Unethical behaviour may arise in only certain circumstances or situations but immorality possesses fundamental flaws rendering one untrustworthy in most of the situations (Suresh

and Raghavan, 2007) <sup>[16]</sup>.

## 2. Ethics and Values

Edward Spranger (1928) <sup>[15]</sup> states ‘values’ as the constellation of likes, dislikes, viewpoints, inner inclinations, rational and irrational judgments, prejudices and association patterns that determines a person’s view of the world. Murthy (2004) <sup>[14]</sup> has classified values into four aspects, viz; criteria for accepting values, values required to be optimized, values in the nature of rights of beneficiaries and institutionalizing ethical implementation of values. He has identified 26 values in relation to business ethics which may contradict and overlap each other. Suresh and Raghavan (2007) <sup>[16]</sup> referred that values is what makes actions, character, traits and objects good or bad. Values and Ethics are not different from the whole identity and both collectively define the true self of an individual. Hill and Jain (2010) <sup>[6]</sup> opined that like a society an organisation too has a culture which is a combination of values and norms. Values are abstract ideas and belief of few top managers while norms are the social guiding principle stipulating behaviour in particular circumstances. These two components have a major influence on the ethics of a business.

## 3. Ethics and Law

Ethics are neither codified in books nor enforced on anyone by anybody. Unlike ethics, law is stringent rules of actions enforced by the legal authority which requires compliance and have a legal binding force. Failure to follow the law shall invite legal consequences. Ethics constitutes a higher standard than that of law (Suresh and Raghavan, 2007) <sup>[16]</sup>. Donaldson (1994) <sup>[3]</sup> advocated that ethics can achieve much more to the society than what actually a binding law cannot accomplish. Mathias (1994) <sup>[13]</sup> opines that not everything that is illegal is immoral; similarly not everything that is immoral is illegal. There are few laws which are considered in appropriate in certain circumstances.

## 4. Ethics and Religion

Traditionally, a more important link between religion and ethics was that religious teachings were thought to provide a reason for doing what is right. The reason was that those who obey the moral law will be rewarded by an eternity of bliss while everyone else will go to hell (Source: Encyclopedia Britannica). Donahue (2006) <sup>[5]</sup> affirms that the relationship between religion and ethics is about the relationship between revelation and reason. Religion is based in some measure on the idea that God reveals insights about life and its true meaning. These insights are collected in texts of the holy books (the Bible, the Torah, the Koran, the Bhagvad Gita etc.) and presented as “revelation.” From the stance of humanistic approach, ethics is based on the doctrine of reason. Anything that is not rationally verifiable cannot be considered justifiable. From this perspective, ethical principles need not derive their authority from religious dogma. Instead, these principles are upheld for their value in promoting independent and responsible individuals—people who are capable of making decisions that maximize their own well-being while respecting the well-being of others.

## VI. Rationale Behind The Development Of Ethical Principles

Business ethics and personal ethics go hand in hand. The ethics learned at a young age are usually the ones maintained

through adulthood and put into practice in daily lives. The employees must share the same ethics as the company or at least practice them while employed. Some businesses give their prospective employees informational materials that contain a mission statement, policies, and other ethical responsibilities that all employees must abide by. While these efforts are noteworthy, it does nothing if the employee refuses to respect the organization by following the guidelines laid out for them.

There are innumerable factors that affect the growth and advancement of ethical principles of an individual. An individual as a professional is required to act in a different manner depending upon his position and job status. He develops an ethical ideology from learning at various stages of life, including prior incidents and from observation as well.

An individual’s psychology is developed by the way he is groomed and taught since childhood. Friends, relatives, religion, culture and the environment collectively influences the ethical perspective of an individual.



Source: Suresh and Raghavan, 2007

**Fig 1:** Factors Influencing an Individual’s Ethical Perspective

Even though the law is binding yet it cannot compel an individual to be ethical unless he identifies, understands and upholds the concept of ethics to act accordingly when the circumstances demand. John Akers (former chairman of the board of IBM) strongly believes that education in ethics should begin in childhood development including practical devices as role models and codes of conduct and also through the study of literature and history. Shiv Khera, a renowned Indian motivational speaker asserted that values and ethics break under pressure but one should not allow the values to deteriorate. But however, the researcher observed that person who is ethically sound will try hard not to resort to something unethical even in a challenging situation.

Josephson (2013) <sup>[12]</sup> highlighted that in today’s ultra-competitive, high tech, interdependent business world, charisma without conscience and cleverness without character are a formula for economic and personal failure. Abraham Lincoln described character as the tree and reputation as the shadow. One’s character is what he really is

and one's reputation is what people perceive about him. The author has recognized 12 ethical principles of a business executive, viz; honesty in all actions, maintaining personal integrity, fulfilling commitments, being loyal within the framework of ethical principles, being fair and just, showing compassion towards others, treating others with respect, abiding with the law, commitment to excellence, exemplifying honour and ethics with effective leadership, building company's reputation and increasing the employees moral and being accountable.

It is observed that an organisation with strong ethical principles can bring considerable benefits to their business, such as:

- Boosting the sales and profits by attracting the customer's to the firm's products or services;
- Reducing the labour turnover and thereby increasing the productivity by retaining the employees in the business;
- Reduction of recruitment costs by attracting the talented prospective employees who are eager to be associated with the organisation; and
- Protecting the business from takeovers by attracting the investors and keeping the company's share price high.

### VII. Relevance of Ethical Conduct At Workplace

Donaldson (1994) <sup>[3]</sup> avowed that ethics is vital not only for smooth and effective functioning of an organisation but it is also crucial for the protection of the society.

Ethics has become a focus of paramount importance at the workplace because of the following aspects:

- Ethical conduct promotes a strong public image for the organization. People respect an organization that makes ethical choices. Customers like doing business with an organization they can trust.
- Ethical conduct makes the best use of resources. Money, time, and effort are put into productive activities rather than diverted for questionable purposes or personal gain.
- Ethical conduct on the part of all employees also helps maintain quality and productivity. When employees follow ethical standards, they do not cut corners or short-change the company or its customers.
- Ethical conduct assists the organization to comply with laws and regulations. What is ethical is also legal.
- Ethical conduct ensures good and proper relationships with customers and other stakeholders.
- Ethical conduct boosts morale and promotes teamwork. When employees can trust one another and management, they can work together more harmoniously and effectively.
- Ethical practices boost morale and promote esprit de corps. People can work in team harmoniously when they have trust on one another and the management.
- Existence and practice of ethics by the employees develops a great sense of dignity and pride as well as provides them with a sense of job security.

### VIII. Findings

Working as an ethical business has its many benefits, most of which is the ability to attract and keep investors, employees and customers. Consequently, it is seen that;

- Companies with a strong ethical identity tend to maintain a higher degree of stakeholder satisfaction, positively influencing the financial results of the company.

- Ethical business practices can help companies avoid legal problems and negative financial results that arise once the unethical behavior is discovered.
- A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behaviour and less likely to find themselves in breach of one of the multitude of laws concerning required behaviour.
- Since people are becoming more aware regarding ethics, they are inclined to do business with those organisations which practices ethics.
- Customers are at ease buying products or services from a company they know to source their materials and labour in an ethical and responsible way.
- Employees prefer to work at companies where they will be treated with dignity, respect and fairness. When companies establish a high standard for ethical business conduct, employees know that they will be treated well.
- Again performance of ethics by employees may vary depending upon various criterions, viz; job insecurity, personal problems, unhealthy relationship with the seniors/colleagues etc.

### IX. Suggestions and Conclusion

Being fair, honest and ethical is one of the crucial human needs. Reputation is one of a company's most important assets, and one of the most difficult to rebuild should it be lost. Businesses not following any kind of ethical code lead to wider consequences. Unethical behaviour may damage a firm's reputation and make it less appealing to stakeholders. Business ethics are more than just words used to enhance the image of a corporation; they are the very foundation of success. Thus, ethics related activities should be expanded and opportunities regarding principle-based-ethics should be encouraged in business concerns. Organizations guided by ethics and values are profitable in the long run and often it is viewed that ethics succeeds the law in safeguarding the society. Every employee desires to work for an organization that is fair and ethical in its practices. An organization that is believed to be driven by moral values is respected in the society and is revered by its employees too. Besides the apparent benefits of business ethics in the form of a well-developed culture, more dignified corporate values, and a satisfied customer, business ethics expands way farther. A company that believes in proper conduction and following of business ethics survives on a long run. With consistent ethical behavior comes increasingly positive public image, the more trust of the customer and more longevity of the business.

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