



Professional Ethics and its application

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Topics



- What are ethics
- Elements of professional ethics
- Need of ethics for business
- Consequences of not complying to ethics
- Honesty
- Confidentiality
- Conflict of interest



What are ethics?

- It is derived from the Greek word 'ethos' which means **Character** Or a person's **Fundamental Orientation** towards life.
- **CONCEPT OF BUSINESS ETHICS:-** According to W.H.Shaw, Business ethics is the study of what constitutes **right or wrong, good or bad** human conduct in a business context.

ETHICS in Vedic times

- Story of two farmers and their ethics
- Story of Chanakya and the lamps
- Arjuna's going to forest for one year
- Lord Ramachandra going to forest on His fathers' order

NATURE OF BUSINESS ETHICS

- The main characteristics of business ethics are as follows:
- 1. It is important in all types of business- large or small, manufacturing or service.
- 2. It is above law. It requires behavior which is socially desirable even if not legally.
- 3. It is dynamic term and may change over time.
- 4. Conduct expected from each employee by the company
- 5. Dos and Dont's expected from the employees

ELEMENTS OF BUSINESS ETHICS

- Main elements of business ethics are as follows:-
- 1. VALUES : Values are the moral beliefs held by an individual or organization and a society.
- 2. RIGHTS : Rights are the claims of the individual or organization.
- 3. DUTIES : Duties are the obligation of a person or an organization.

Need for Ethics in Business:

- 1. A business executive must take into consideration the moral and social considerations because these are the real motivating factors.
- 2. When an organization fails to behave in accordance with the social expectations, it may lose its image and market share e.g. Satyam Computers.
- 3. The values/ethics form the basis/foundation for each employees to behave in the company premise

Need for Ethics in Business:

- ➔ A man without ethics is a wild beast loosed upon this world.

Examples of ethics (or lack of it)

- Business courtesies
- Kickbacks
- Conflicts of interests
- Confidential information
- Use of company resources
- Complete and accurate books, records and communications
- Bidding, negotiation and performance of contracts

Examples of ethics (or lack of it)

- Charges to the government
- Relationships with suppliers and representatives
- Insider information and investment in securities
- Work place relationships and proper conduct
- Political contributions

Consequences of not following ethics

- 1. Disciplinary action from the company
- 2. Impact on compensation, promotion, appraisal ratings, growth etc e.g. **Access card issue, file sent out of company network**
- 3. Company image might be tarnished



Honesty

Honesty



- Honesty is a facet of moral character that connotes positive and virtuous attributes such as integrity, truthfulness,
- straightforwardness of conduct, along with the absence of lying, cheating, theft, etc.
- Honesty also involves being trustworthy, loyal, fair, and sincere.

Honesty



- Honesty is valued in many ethnic and religious cultures.
- "Honesty is the best policy" is a proverb of Benjamin Franklin,
- while the quote "Honesty is the first chapter in the book of wisdom" is attributed to Thomas Jefferson.

Honesty

- Story of a king who wanted to find a honest person. He gave a seed to all the citizens and asked them to plant it.
- Story of King Harishchandra
- Story of honest woodcutter

case studies:

- Person who stole a laptop charger
- Fake taxi receipts
- Kick backs from vendors
- Exam paper leak

case study for participants:

- ▶ some thieves are after some innocent citizens. They enter the ashram of a brahmin. This brahmin has vowed not to tell lies in his life. The citizens hide and the thieves enter the ashram. Not finding the people, the thieves ask the Brahmin about the people.
- ▶ **What should the brahmin do?**

case study for participants:

- ▶ You are working in a small accounting firm. Your working hours are 9 to 6, six days a week. One of your best friend is getting married and you need one weeks leave for that purpose. You know that if you tell the truth your manager wont grant you leave. What will you do –
- ▶ 1. Tell the manager one of your relative has passed away
- ▶ 2. Tell the manager you are not well on the day of the marriage
- ▶ 3. Do not inform the manager at all and go for the marriage
- ▶ 4. Inform the manager the reality and convince him to give leave

Activity

➤ Write 3 lessons that you learnt from the above stories. Ask yourself - Have you been involved in any such situation before? What triggered to get into the situation? If not, did you ever think of performing such an act? This introspection will help you to avoid any such actions in the future

➤ 1. _____

➤ 2. _____

➤ 3. _____

Problem statement:

- Each of the stories portray different aspects of greed that people have
- Many a times, life puts us into a situation where cheating and making big bucks seems like the easiest solution
- Every individual has the propensity to cheat others and we think our cheating will not be detected
- **Root cause:**
- The root cause of all the above problems is the inherent nature of GREED within all of us and the propensity to CHEAT

Solution

- ▶ Use the below 5 point formula to tackle the above problems
- ▶ **TIP#1:** Be satisfied in what you get by ethical means
 - ▶ Greed is the tendency to accumulate more and more without thinking what is ethical and what is not
 - ▶ As it is said the world has enough to cater to everyone's need but its insufficient to fulfil the greed of one person
 - ▶ If you are not satisfied with having a few lakh or crores of rupees you will not be satisfied with thousands of crores
- ▶ **TIP#2:** Stop comparing yourself with others
 - ▶ Most of the times our needs increase because we tend to imitate our colleagues and friends
 - ▶ Things that are not required in our life start becoming our necessity
 - ▶ Unrealistic competition with others creates an envious attitude within us and that drives us to do things wrongly

Solution

- ▶ **TIP#3:** Simple living and high thinking
 - ▶ If you can minimize your needs, the tendency to accumulate more and more is reduced
 - ▶ Life is meant for higher order things like – doing good to others, self-realization, bringing a change in the society
 - ▶ If we inculcate higher order thinking then our tendency of self-centeredness reduces automatically
- ▶ **TIP#4:** Action and Reaction are equal and opposite
 - ▶ What you sow, so shall you reap. If you cheat somebody, you are definitely going to get the reactions of that act
 - ▶ This has been practically proven time and again. As well as many spiritual scriptures talk about this at length.
 - ▶ Most of the acts of cheating are performed since the person thinks or believes that I won't be caught. But when he is caught all his misconceptions are smashed.
 - ▶ If one becomes aware of the consequences of cheating or greed, one is very much careful not to perform the misconduct.

Solution

➤ TIP#5: Charity begins from home

- One of the ways of reducing greed is to start donating. Sounds irrational and radical right!!! Let's prove this point.
- The more you think about increasing your wealth you get attached to what you have. This propensity keeps on increasing no matter how much wealth you have
- The only way to counter this propensity is to start donating a part of this wealth to the needy and poor.
- This of course requires a lot of research so that you can find the right receiver for your donation. The last thing you want is donate to an institution and find that the money doesn't reach the poor and needy.
- Vedic scriptures talk about charity in 3 modes – goodness, passion and ignorance.
 - Goodness – charity done to a worthy person/organization , at the right time and without any expectation. Worthy person/organization is the one that you definitely know will use this money in bringing up the well being of down trodden. For e.g. charity given to an institution that feeds poor, educates people in the proper way of living etc.
 - Passion – charity done with expectation of some return or with some motive in mind. This charity doesn't bring in the right amount of mental peace and change in consciousness. For e.g. charity done with a thought that I will get some benefit or as an act of pride.
 - Ignorance – charity done without any discrimination at an improper place and improper time to unworthy persons. For e.g. giving money in a pub to somebody who wants to drink or smoke is an act of utter ignorance.





Confidentiality

Confidentiality

- Confidentiality involves a set of rules or a promise usually executed through confidentiality agreements that limits access or places restrictions on certain types of information.

Confidentiality

- Legal confidentiality
- Medical confidentiality
- commercial confidentiality
- IPR
- Salary
- NDA
- Other information

Case studies -

- Secrets leaked
- Rajat Gupta MD at Mckinsey firm

Case study for participants:

- You are working in a CA firm as an accountant. You deal with finances of various companies and have access to revenue, profits and other financial information of many companies. Once at a personal party one of your friends asks you about a company and if you know about that company. This company is your client. The information that the friend is asking is financial and of confidential in nature. If you leak this information it could be used inappropriately.
- If you give the information it could land you in trouble
- If you do not give the information your friend will be dejected and you may lose her friendship.
- What will you do?

Case study for participants:

- You are working in a CA firm as an accountant. One of your colleague is pretty unhappy with her salary. She reveals this with you and asks your salary. She just wants to confirm if it aligns with her salary.
- What should you do?
- 1. You should inform her, since there's nothing confidential about it
- 2. You should give some incorrect salary
- 3. You should tell her, I don't recall
- 4. You should clearly tell her the policy that salary is confidential

Case study for participants:

- Your company has a partnership with a business that is also a competitor, Company Z
- A manager from your company is hosting a meeting and allows company Z free access to the facility. Company Z has not signed a confidentiality agreement and has no restrictions or visitor badge
- What issues do you see in this scenario?
- Issues
 1. Company is violating security regulations
- 2. Company sensitive documentation can be stolen, observed or photographed.



Conflict of interest

Conflict of interest

- Conflict of interest means anything – information, work or anything that could create bias in the mind of an employee
- For e.g. a company needs services for housekeeping, cleaning etc. The admin person responsible hires a vendor and his wife works for that vendor. In this case it could be construed that the admin person gets kick backs from the vendor to award the contract to them.

Conflict of interest – case studies

- ICICI bank CEO and Rs 3250 Cr loan to Vodafone group – Dhoot
- One big MNC and land deal

Case studies

- You are working for an investment company. You deal with mutual funds and stocks. Your friend works for a big MNC. While talking to him you realize that your friend can help you with a lot of insider information about the company which will help you buy/sell stocks in that company which will help you make a lot of money.
- What should you do?
- 1. Ask your friend to do a favor on you and give the information. You can share the profits with your friend
- 2. Ask your friend for the help, but don't share profits
- 3. It's unethical to do this.
- 4. You should ask your superiors