

Unit 4: The Ethical Decision-Making Process

In the modern business environment, organizations are judged not only by profitability but also by their ethical behavior and social responsibility. This unit explores the foundations of ethical decision-making — from core concepts like values, morals, principles, and ethics to Indian philosophical traditions including Karmayoga, the Bhagavad Gita, Kautilya's Arthashastra, and Swami Vivekananda's teachings — and concludes with a modern step-by-step framework for ethical analysis.

BUSINESS ETHICS

UNIT 4

4.1 Introduction to Ethical Decision-Making

Ethical decision-making refers to evaluating and choosing among alternatives in a manner consistent with ethical principles — helping managers and employees select actions that are morally correct, socially acceptable, and legally appropriate. Good decisions must be both ethical and effective, generating and sustaining trust while demonstrating respect, responsibility, fairness, and caring.

The Three Pillars

Commitment

The desire to do the right thing regardless of cost.

Consciousness

Awareness to act consistently and apply moral convictions daily.

Competency

Ability to collect information, develop alternatives, and foresee consequences.

Ethical Challenges by Area

- **Marketing:** Misleading ads, deceptive pricing, data privacy
- **HR:** Discrimination, favoritism, unauthorized surveillance
- **Operations:** Pollution, hazardous technologies, worker safety neglect
- **Finance:** Faking numbers, asset misappropriation, hiding losses

❏ **Real-Life Dilemma:** A manager asks an employee to create false TA/DA bills and transfer benefits to the manager. The employee must choose between fraud and risking their job by whistleblowing.

4.2.1 Values: The Foundation of Ethical Behavior

Values are deep internal beliefs that guide behavior and help us decide what is right or wrong. They shape personality and professional conduct — for example, an employee who values honesty will never cheat a customer for quick profit.

	Honesty Telling the truth, being transparent. Example: Tata Group built public trust through honest practices.
	Integrity Doing the right thing even when nobody watches. Example: Narayana Murthy led Infosys with transparency.
	Respect Treating everyone with dignity. Example: Microsoft promotes inclusive culture.
	Responsibility Taking ownership of actions. Example: Reliance supplied oxygen during COVID-19.
	Compassion Caring for others and the planet. Example: Patagonia is globally loved for environmental care.
	Discipline Self-control and commitment. Example: Toyota's disciplined systems drove worldwide success.
	Fairness Equal treatment without bias. Example: Global companies enforce strict fair hiring rules.

Values guide employees, build trust (e.g., **Wipro**), create great work cultures, boost reputation (e.g., **The Body Shop**), and ensure long-term success over quick profits.

4.2.2–4.2.4: Morals, Principles & Ethics

MORALS

Morals are rules and beliefs that society uses to decide right and wrong, developed through family, religion, traditions, and culture. They encourage social harmony and responsible behavior.

- Based on social beliefs and customs
- Define right vs. wrong behavior
- Vary across cultures, but fairness is universal
- Build good personality and social harmony

Example: In 1982, **Johnson & Johnson** recalled all Tylenol products to protect customers despite massive financial loss.

PRINCIPLES

Principles are fundamental rules that guide behavior and decisions — an ethical compass ensuring businesses act responsibly beyond profit.

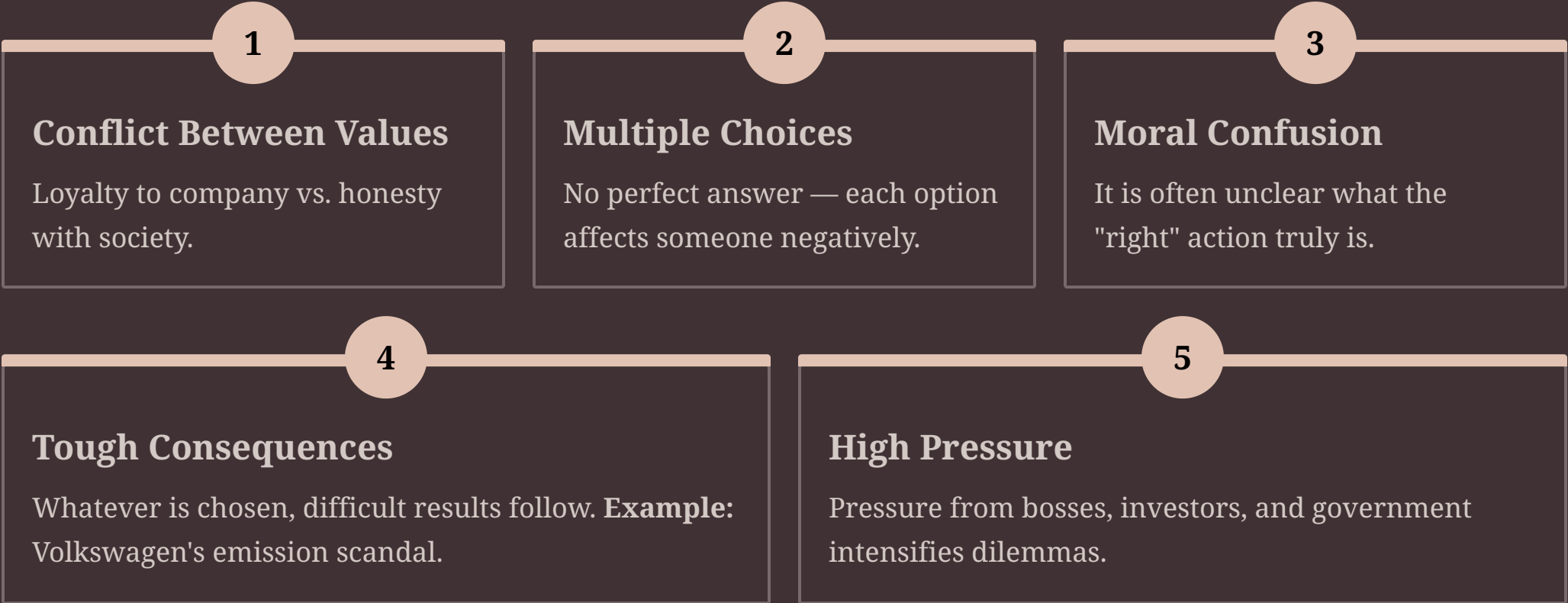
- Guide human behavior in all situations
- Promote consistency and fairness
- Encourage ethical decision-making
- Build organizational discipline and trust

ETHICS

According to **Crane & Matten**: *"Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."* Ethics protects stakeholders, ensures fair practices, stops corruption, and encourages corporate responsibility.

4.2.5 Ethical Dilemma & The Relationship Between Concepts

An ethical dilemma is a situation where a person must choose between alternatives, each carrying moral consequences — choosing one option may compromise another ethical value.



Relationship Between Values, Morals, Principles & Ethics

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

4.3 Indian Ethics: Karmayoga — The Path of Selfless Action

Karmayoga means the "Path of Selfless Action," described in the Bhagavad Gita. It teaches that individuals should perform duties sincerely, honestly, and responsibly — without selfish motives or attachment to rewards. Work itself becomes worship when performed with dedication and ethical behavior. The Gita states: *"You have the right to perform your duty, but not to the fruits of your actions."*



Duty

Perform responsibilities honestly toward family, organization, and society. **Example:** Dr. A.P.J. Abdul Kalam's dedication to national development.



Selflessness

Work without greed or personal attachment. **Example:** Ratan Tata's ethical leadership and social welfare through Tata Trusts.



Discipline

Maintain consistency, punctuality, and self-control. **Example:** Toyota's disciplined production systems.



Dedication

Full commitment and sincerity in work. **Example:** Narayana Murthy's dedication to ethical IT culture.



Detachment

Focus on actions, not results. Avoid unethical methods for short-term gains.

Karmayoga encourages ethical leadership, reduces corruption, builds a responsible workforce, and earns deep organizational trust — ensuring long-term business success.

4.4 Indian Ethics: The Bhagavad Gita

The Bhagavad Gita is a profound conversation between Lord Krishna and Arjuna on the battlefield of Kurukshetra, providing timeless guidance on duty, morality, leadership, and decision-making. Its central message: perform duties sincerely and ethically, without selfish attachment to rewards.



Nishkama Karma — Work Without Selfishness

Perform duties without selfish motives. Promotes ethical leadership and reduces greed. **Example:** Ratan Tata emphasized social welfare over personal profit.



Dharma — Perform Moral Duty

Every individual must fulfill responsibilities according to moral principles, not avoid them out of fear. **Example:** Dr. Kalam's commitment to national service.



Self-Control & Truthfulness

Control greed, anger, and ego. Maintain honesty and transparency. **Example:** Infosys and TCS are known for disciplined, transparent governance.



Equality — Respect All Stakeholders

Treat everyone fairly without discrimination. **Example:** Microsoft's diversity and inclusion programs promote equal opportunity.



The Gita trains leaders in ethical leadership, stress management, team management, conflict resolution, and rational, duty-oriented decision-making.

4.5 Kautilya's Arthashastra: Ancient Wisdom for Modern Governance

The **Arthashastra**, written by Kautilya (Chanakya), provides profound guidance on governance, economics, administration, and ethics. Kautilya believed rulers must work for societal welfare while maintaining strict discipline and accountability. Its principles remain highly relevant in modern corporate governance.

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|---|---|
| 1 |  Accountability
Officials must be answerable for actions. Misuse of power and negligence must not be tolerated. Example: Infosys recognized for transparent governance. |
| 2 |  Discipline
Strict rules and monitoring systems ensure effective, ethical operations. Example: Toyota's disciplined quality management. |
| 3 |  Welfare State
Rulers must work for citizens' prosperity. Applied today through CSR, employee welfare, and sustainability. Example: Tata Group's contributions to healthcare and education. |
| 4 |  Anti-Corruption
Strict punishment for fraud, bribery, and misuse of authority. Modern organizations implement anti-bribery policies and compliance systems. |
| 5 |  Ethical Leadership
Leaders must possess wisdom, honesty, and ethical responsibility. Fair decisions create positive culture and stronger stakeholder relationships. |

4.6 Swami Vivekananda on Ethics

"Education is the manifestation of perfection already in man." — Swami Vivekananda

Swami Vivekananda emphasized character building, discipline, truthfulness, self-confidence, moral strength, and service to humanity. His teachings continue to influence education, leadership, and management practices worldwide.

Five Ethical Principles

01

Character

Foundation of a meaningful life — honesty, discipline, moral courage. **Example:** Narayana Murthy's integrity.

02

Service

Selfless service to humanity. **Example:** Akshaya Patra Foundation feeding underprivileged children.

03

Truth

Honesty builds trust, credibility, and long-term sustainability.

04

Fearlessness

Courage to oppose injustice and corruption even under pressure.

05

Discipline

Self-control and consistency leading to success and moral development.

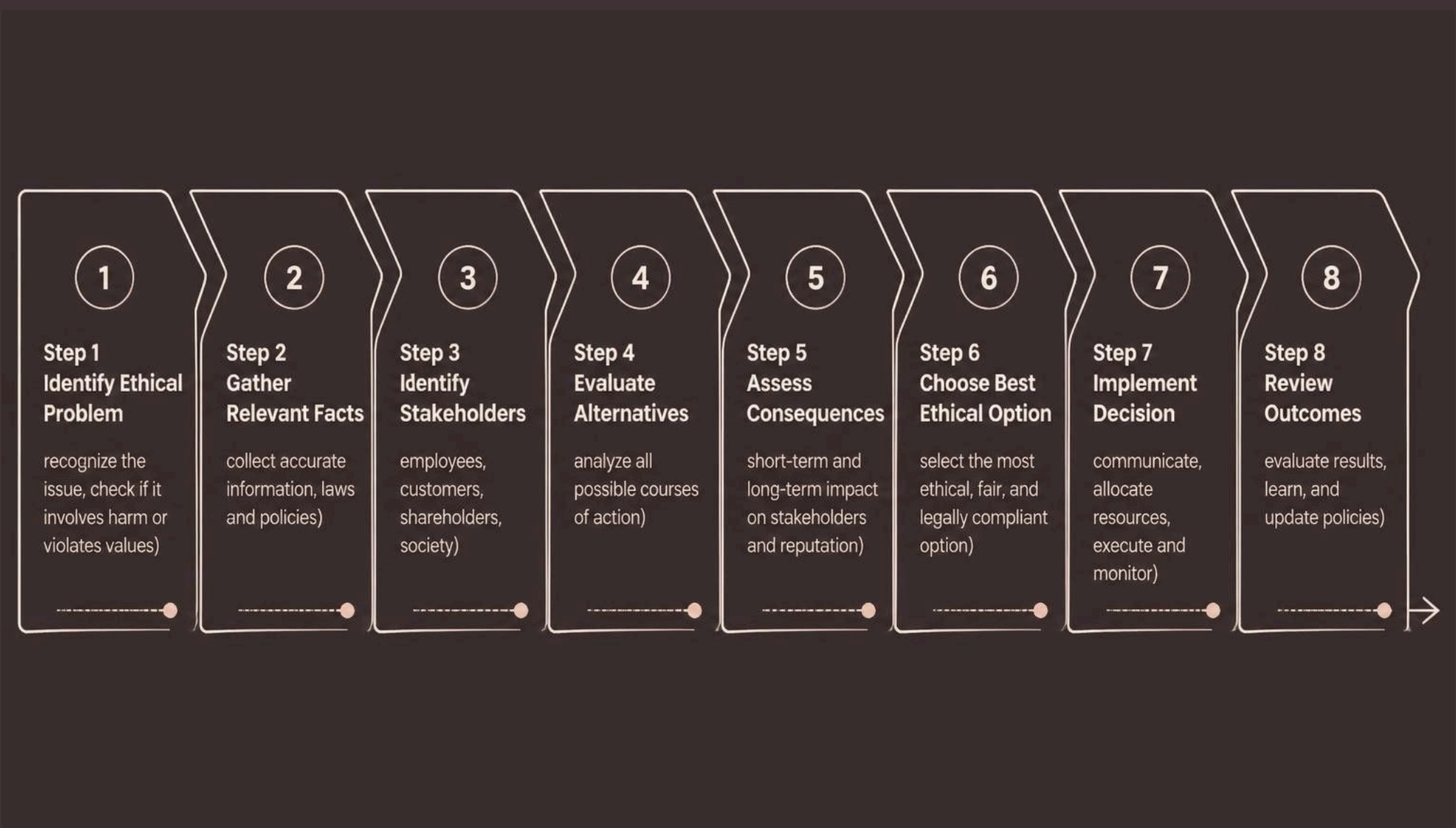
Importance in Business

- Encourages honest, responsible leadership
- Promotes social responsibility and public welfare
- Develops employee discipline and self-confidence
- Maintains integrity, transparency, and fairness
- Builds customer trust and corporate reputation
- Supports ethical decision-making and long-term sustainability



4.7 Modern Approach to Ethical Decision-Making

Modern ethical analysis follows a structured, eight-step process that helps managers and employees systematically identify, evaluate, and resolve ethical dilemmas in business. This framework ensures decisions are ethical, fair, legally compliant, and beneficial to all stakeholders.



This step-by-step framework ensures that every ethical decision is thoroughly analyzed — from recognizing the problem to reviewing outcomes — protecting stakeholders, maintaining organizational reputation, and promoting long-term sustainability.

8

Decision Steps

A complete structured process from problem identification to outcome review.

3

Key Evaluations

Stakeholders, alternatives, and consequences assessed at every stage.

1

Ultimate Goal

Select the most ethical, fair, and responsible option for all stakeholders.