

**The Ethical Corporation**  
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**Lecture – 03**  
**What is Ethics**

Hello, we are in the lecture 3 of our week 1 for this course on Ethical Corporation. We have already talked about what a corporation is and what would be a befitting characteristics of the ethical corporation we have talked about it, but today we have to or we need to talk about what is ethics Because in ethical there is a presumption that we know already what is ethics. So, let us without wasting further time let us talk about what is ethics, how do we understand it for this course.

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So, today our plan for the lecture is going to be like this, that first of all we want to talk about what is ethics and then what exactly ethics does. So, meaning what are what kind of considerations does it look into, how does it deal with it, what are the criteria that it uses principles etcetera.

And then we need to go into and talk about a specialized area of ethics which is business ethics, because that is where we will be putting our ethical corporation this course in that is going to serve as the backdrop for our discussion on Ethical Corporation. So, we need to talk about what is business ethics and then, similarly we are going to talk about what

exactly is covered by this business ethics we are going to elaborate this, but this is more or less what the plan for today's lecture is.

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**On what Ethics is, and what it is not**

- What it is NOT: A collection of personal opinions and beliefs
- What it IS: Ethics is an academic discipline, which focuses on what is **right**, what is **wrong**; alternatively, what is **good** and what is **bad**.
  - ✓ Where do we look for this *right* or *wrong*, or *good* or *bad*?
  - Ans: In actions, behavior, in decisions, policies, and also in intentions.

Example:

1. Not casting your vote is **wrong**. Or, one should cast vote.
2. Torturing an innocent is **bad**. Or, one should not torture an innocent.
3. The decision to help the others in need is **good**.
4. Treating the equals equally is the **right** policy.

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So, let us start then what do we mean by ethics, what is it and what is it not? I have already may have mentioned it, but I will repeat it that sometimes it is you can understand a thing better first specially if it is a new or a strange area, then it is best to first compare with to with other things to know what it is not. So, by elimination you sort of make out what would be then it is positive characteristics and then, you come to the definition.

So, we are going to start out in the similar way saying that first of all, what I want to clearly emphasize here is that ethics is not is not a collection of mere personal opinions and believes, no matter how many times you may have been told or what you have thought from peoples ordinary peoples talking about ethics because we do love to talk about what is unethical and so on. And ultimately you or your friends may have concluded, that after all it is just your opinion and my opinion there is nothing concrete or universal or absolute about it and I am just simply saying that is not correct.

So, we are taking it or rather people who are scholars in ethics they look at it as a subject in itself, it is an academic discipline in the sense that it is actually taught in educational organization as a subject just like you would study physics or mathematics in colleges in

universities similarly this subject is taught and researched, in various academic organizations.

So, first of all that should tell you that it is a systematic study, which has principles theories just like any other academic disciplines and then what is it is content, what does it talk about and on that we have to tell you that it talks about what is right, what is wrong or alternatively as we have said what is good and what is bad?

Now, hold on I know that you are going to jump immediately and say, but what do you mean by right, what do you mean by wrong, who has decided that etcetera. I will say just bear with me for few more minutes maybe we will touch upon those things later the definitions of good bad right wrong, but it is a subject that actually investigates this concepts, analysis this concepts, defines this concept and it justifies it justifies it is understanding of this concepts.

So, first of all if you are asked then what is the subject matter of ethics the answer is that it actually are about right wrong good bad etcetera, but it is an academic study of those things. Where do we look for this, good bad right wrong? And my answer to that is if we look into the behavior or practices in actions in decisions and in policies also in the motives, you know the psychological mechanism that works behind those behavior or practices.

So, that is where we want for example, I have given some example here that you know you here you are talking about you are not casting your vote is wrong, it is election is almost around the corner, so not casting your vote is wrong we are using this term about a practice, about a behavior which is not casting your vote. Similarly for example, take a look here that we are commenting on how torturing an innocent is bad, it is bad behavior bad practice.

So, in other words what we are trying to say is one should not torture an innocent. Similarly if you are looking for decision then the decision to help others in need is good. So, these are kind of situations, these are kind of usages of this concepts that ethics is going to advise us on where to apply them, why to apply them and so on. Now while saying that, so the connection to the ethical corporation would be then if we are going to use ethical as an epithet or objective for corporation, then clearly we are trying to talk about the good corporation or the corporation that is not bad, the corporation that does

the right things and it does not engage in the wrong things and so on, so keep that in your mind.

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**On what ethics is**

It is a **normative / prescriptive** study of behavior (as opposed to **descriptive** study of behavior): Instructive, judgmental, evaluative by nature

E.g. **Violence in people should not be encouraged**.

**Descriptive** study of behavior: Merely describes an observed phenomenon.

E.g. **At times, people become violent.**

✓ Whose actions, behavior, in decisions, policies, intentions are judged in Ethics?

Of **humans**. Traditionally ethics is about the humans. **Individual or Groups**. One may evaluate the behavior of the **institutions and organizations** too

Norms: Using the value criteria: 'Rightness', 'wrongness', 'good', 'bad'

Further, I told you this is an academic subject, so what kind of an academic subject see we have said that it is excuse me we have said that it is a study of behavior. So, this is first of all, we are been take note that it is not any kind of study of behavior because there are so many other subjects which also studies behavior say psychology for example. So, where the where is ethics different from other studies of behavior and that answer is given here that it is normative or prescriptive kind of study of behavior, where we mean that we norm means rules or benchmarks.

So, using the norms this study actually makes a value judgment on the behavior that it is studying and this is where it is different from the typical descriptive studies of behavior, which merely tries to describe that behavior. So, once more what do we mean by the normative and prescriptive well first of all it is judgmental, default by nature it is going to be judgmental you are going to pass a comment evaluative comment. And therefore, what you are trying to do is assess the behavior, the job is not merely to record the behavior and describe it, but also to judge it and to evaluate it.

For example, here take a look that the statement is violence in people should not be encouraged or that is wrong. Now, here your job is not simply describing how the people are behaving, you are adding a value judgment, it is loaded with some values where is

why you are saying that it should not be done. So, in your mind there is a benchmark against which you are assessing the behavior and you saying it is not the best one or it is not the correct one.

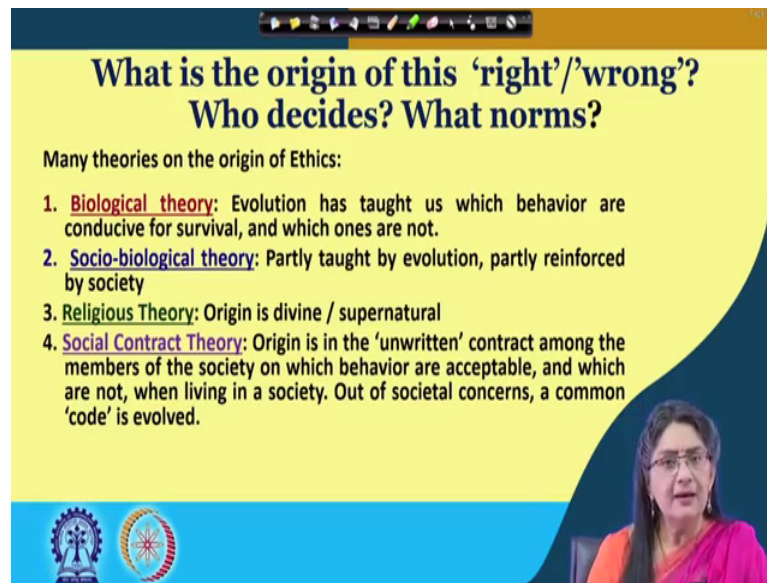
Compare that with a descriptive study behavior and the kind of comments that a descriptive study would make is at times people become violent, you see only we are saying people occasionally behave violently or people are violent at certain times that is a description, there is no value judgment further to that. So, make sure that you understand that by nature ethics is going to be judgmental and evaluative there is no other way.

Now, whose actions or behavior, decisions, policies are we going to judge in this way and here the answer is clearly of the humans. Traditionally ethics is all about the humans; the human behavior why because typically ethics thinks that human beings can exercise choices they are free will whereas, about other species we are not too sure whether they have free will or they can exercise their choices, but traditionally it has been thought that human beings are endowed with the special ability to exercise their free will. Hence those choices are something about which you can make a comment whether the choice was right or whether the choice was wrong etcetera.

So, ethics is normative study of human behavior and actions. Now, when I say human behavior I mean it can be a single person or it can be group of individuals group of humans. In fact, you can evaluate the behavior of institutions using ethics for example, government or for example, educational organizations and even organizations. So, here comes this is where we can see now how ethics is going to come into our course because a corporation is an organization and we are talking about the ethical organization, Ethical Corporation as a special kind of an organization.

So, once more it is a normative study and the norms the benchmarks that it uses are these value concepts, about which we have not tried to open them up because it is going to take some time later on we will try to touch upon this, but these are going to be the criteria by which ethics is going to pass the value judgments.

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**What is the origin of this 'right'/'wrong'?  
Who decides? What norms?**

Many theories on the origin of Ethics:

1. **Biological theory:** Evolution has taught us which behavior are conducive for survival, and which ones are not.
2. **Socio-biological theory:** Partly taught by evolution, partly reinforced by society
3. **Religious Theory:** Origin is divine / supernatural
4. **Social Contract Theory:** Origin is in the 'unwritten' contract among the members of the society on which behavior are acceptable, and which are not, when living in a society. Out of societal concerns, a common 'code' is evolved.

Now, it may be at the back of your mind, so I am going to anticipate this question some of you may be already thinking that you know we have you have said it is about right and wrong, but you know what is the origin of this where do these right wrong come from and who decides and what are these norms that we are talking about where are do they come?

Now, here my submission to you is that you see there are many theories not just one, but many theories here on the origin of ethics. And the current one that that is gaining more and more evidence these days is this biological origin of ethics, there are researchers who are working with animals close to the human species sometimes with the insects to make a comment that if you thinking about ethical behavior or unethical behavior the point is that evolution has taught us, which behavior is more suitable for the group survival. And those have stayed back and are marked as the ethical behavior whereas, the ones that are usually frowned upon as unethical are the ones which are not very conducive for our survival.

So, this is an interesting line of thought that is slowly being built and developed by evolutionary biologists and other scientist, this the second one is called socio biological theory which is as the name suggest that it says that it is partly the ethical rules are partly there in us hardware in our brain by evolution, it has been picked up by the fitness whereas, the part of it has been reinforced by society. So, society has picked up certain

traits and behavior and actually has given encouragement and that is why they have perpetuated over time.

So, where do they come from here you will understand in the second theory, it comes not just from biology, but partly it also comes from society. This is a religious theory which clearly puts the ball in the court of religion saying that the religions are the sources of this ethical rules and values. So, if the religion is one where there is God or Gods, then they are the sources, but anyway it is a supernatural origin.

This last one the fourth one was used to be quite popular at certain time and this is about the social contract theory you know political scientist would be talking about social contract when people formed society, when the early humans formed society they learn that living in a society is not the same as living in isolation, as a caveman or are just a lonely individual.

So, in order to be a member of a society there were some unwritten contract, that is a not signed contract, but unwritten contract as in mutual understanding among the societal members that certain behaviors are going to be acceptable and certain behaviors are not going to be acceptable and that is how ethics evolved. So, this is these are some of the theories that you can see in various choices to answer your question where did this ethical good bad etcetera come from.

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**On what ethics does**

How does Ethics justify its evaluation in terms of 'good', 'bad' etc?

**Answer:** Provided by various theories:

- ✓ Utilitarianism
- ✓ Deontology
- ✓ Justice theories
- ✓ Virtue Ethics
- ✓ Ethics of care.

Divisions within Ethics:

1. Normative ethics
2. Metaethics
3. Applied Ethics

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Where next question is where how does ethics use this right and wrong and where does it get it is justification from, it is one thing to say look you know, torturing an innocent is wrong. And then the next question you should not anticipate is why is it wrong? is it merely my opinion it is more than that.

So, justification how do you justify such a claim and this is where I need to point you towards this theories that there are number of theories here in ethics, which will give you various kinds of justifications why things are called good or actions are called good or bad, why certain practices are held as ethically right or ethically wrong. So, the justifications are provided by various theories and this is something that we will be looking into our second week. So, we will save the discussion on this till then ethics as a as an academic subject has this basic divisions within itself, we have normative ethics Meta ethics and then we have applied ethics.

The normative ethics the normative, the term I have already explained to you is about different norms and these theory discussions actually are part of this normative ethics, they use the normative lens to say why we can call certain behaviors good bad and so on. A Meta ethics is a higher order of ethics where many more fundamental questions about ethics are discussed and answered.

But this is an interesting area, this is called applied ethics where what we have learned from normative ethics and meta ethics are applied in various areas of areas of study, let me show you some examples.



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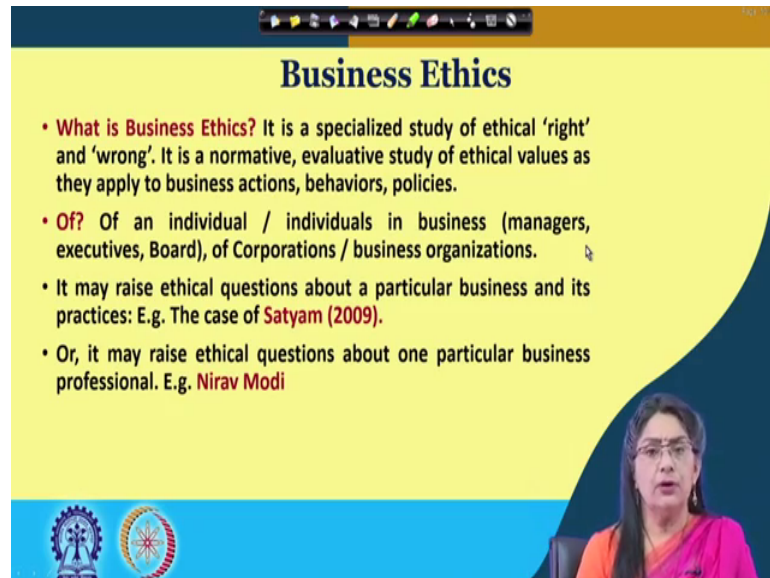
Here are some examples of applied ethics, this is not an exhaustive list there are many more kinds of applied ethics and I mean it is proliferating the area is proliferating, but here are some good examples to start with you must have heard about medical ethics that there are issues are in the medical practice field in clinical and non clinical aspects of medicine practice which needs to be which need to be addressed and these are often issues with ethical dimension about you are asking is this a decision that is right or wrong.

For example, when you know that the patient is terminal. So, do you go ahead and just tell the truth to the patient in on his face or do you not tell and come up (Refer Time: 18:25) with some half lies as a doctor are you not sworn to be honest. So, there are these kind of situations where people look for guidelines action guidance and they look for medical ethics to solve some of these areas.

Similarly, there with law there are issues, so legal ethics engineering ethics deals with issues that are very very embedded in the engineering practices and how the engineer may face a dilemma what to do? What is the right thing to do here and there are not necessarily very clear guidelines there. So, that is the subject matter of engineering it takes very interesting case studies actually are there in this and then I am placing this business ethics, as a kind of applied ethics. So, this is where our discussion sort of comes

in. So, we have explained to you what is ethics and now business ethics is being placed before you as a kind of applied ethics.

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The slide is titled "Business Ethics" in a bold, dark blue font. Below the title, there are four bullet points in red and black text. The first bullet point defines Business Ethics as a specialized study of ethical 'right' and 'wrong'. The second bullet point asks "Of?" and lists individuals in business (managers, executives, Board) and corporations/business organizations. The third bullet point states it may raise ethical questions about a particular business and its practices, citing the case of Satyam (2009). The fourth bullet point states it may raise ethical questions about one particular business professional, citing Nirav Modi. In the bottom right corner, there is a small video inset showing a woman with glasses and a pink top. At the bottom left of the slide, there are two circular logos: one with a gear and a person, and another with a sun-like symbol.

**Business Ethics**

- **What is Business Ethics?** It is a specialized study of ethical 'right' and 'wrong'. It is a normative, evaluative study of ethical values as they apply to business actions, behaviors, policies.
- **Of?** Of an individual / individuals in business (managers, executives, Board), of Corporations / business organizations.
- It may raise ethical questions about a particular business and its practices: E.g. The case of **Satyam (2009)**.
- Or, it may raise ethical questions about one particular business professional. E.g. **Nirav Modi**

So, let us talk about then what we have learnt about ethics and put it back into business ethics. So, what is it business ethics? First of all, it is a specialized study of ethical right wrong good bad. It is because it is a branch of ethics, so it is going to be normative there is no other way you will be talking in judgmental terms about behavior using the ethical values of good bad right wrong, but where are you going to apply them, in business actions and behaviors and policies. So, this is where the application would come.

Now when we say behavior actions decisions, then whose behavior the answer is very clearly that it can be individual who is engaged in business or is a business employee or business owner or individuals in business. So, you know the collective that we call corporate executives for example, corporate managers for example, the board of governors for example.

So those, people who are involved in business people who run the business they may be taken in isolation as individual or as a group as simple examples. So, if you for example, you want to talk about a particular business and whether what they did was right or wrong. For example, you might take the case of famous Satyam or in famous Satyam which is a 2009 case and I am sure you have heard about it the Satyam computers how

there was a big corporate fraud, how the investors were completely deprived of their legitimate and due return of their investment and so on, so but it is a lengthy case.

So, there you want to talk about how business should not be run or what they did was wrong and there you are talking about a particular business and its practices, you can also choose a person in business. For example, I have taken this example of Nirav Modi who is a diamond businessman and you want to talk about the particular behavior by this individual Nirav Modi whatever he did with Punjab National Bank or how he managed to clear all the safeguards and run away with the huge amount of money etcetera. And then you want to say, but that is not fair and that is not ethically correct, if you are doing that then you are passing a comment about a particular business professional. So, both of these are within the ambit of business ethics.

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**What does Business Ethics do**

- Highlights the **unethical ways** in which some Corporations have carried out their businesses.
- Also highlights how some Corporations have conducted their businesses well with **sensitivity towards ethical values**.
- Business Ethics also suggests ways to include and integrate **ethical considerations in business decision-making, policies, and practices**.
- It also provides us with some answers **why** certain decisions should be judged as unethical or ethical : **Justification**.

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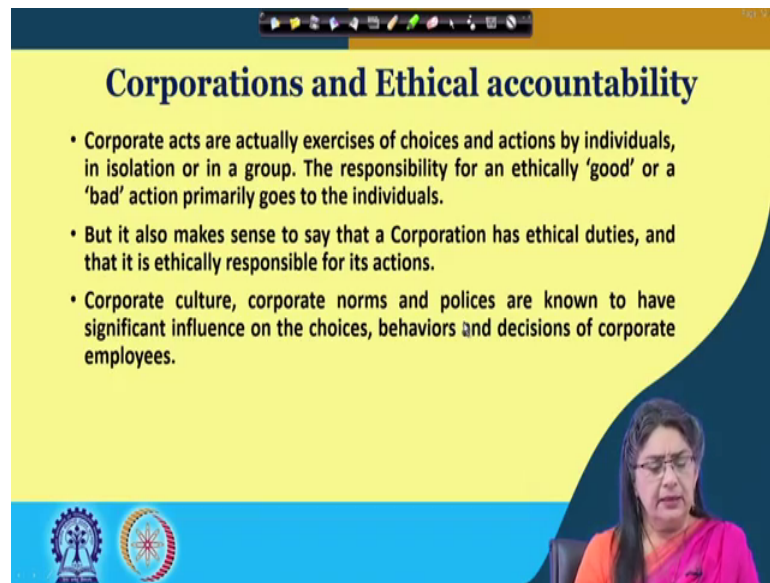
Therefore if you we have to kind of make a comment about what does business ethics do, I mean how far does it go one of the big things in business ethics is to talk about the wrong things in business, just as we have spoken you know spectacular cases where corporate frauds have been executed or you may equally talk about something good that the business I have done. Where they have for example, our business has taken up the sustainable development challenge and have come up with a product that fits people's pockets, it does something good to the society it is also eco friendly at the same time their business is found a way to remain solvent.

So, this is a win situation and you may talk about that saying, but that is the kind of business that is good. So, this kind of discussions would be taking place, now again once more when you are saying this right, wrong or good, bad you are not banking upon your own personal opinions it is not ad hoc opinions that you want to pass here, but you will be falling back upon the theories that have shown the normative theories and through their lenses you could be able to justify why you are calling this for example, bad and why you are calling this one good.

So, all of that is very much part in the in business ethics,. It is also in various functional areas it shows what could be some of the ethically problematic issues and it suggest ways it is not a problem finder, it is also a solution suggester. So, it suggest ways how you can address those issues and how the solution might come by integrating ethical considerations into the business decision making, that is also an important aspect of business ethics. It shows how you can address this gaps and problems and how you can avoid being ethically problematic.

And then finally, the this is a major part also it tries to justify I have told you ethics hands us over enough material for justifying the arguments, why we are claiming something to be ethically unacceptable or acceptable, the theoretical justification of those will be found also in business ethics. So, this is basically what business ethics does and our discussion about Ethical Corporation is going to be part of this, as I have already said it is embedded within the backdrop of business ethics.

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**Corporations and Ethical accountability**

- Corporate acts are actually exercises of choices and actions by individuals, in isolation or in a group. The responsibility for an ethically 'good' or a 'bad' action primarily goes to the individuals.
- But it also makes sense to say that a Corporation has ethical duties, and that it is ethically responsible for its actions.
- Corporate culture, corporate norms and policies are known to have significant influence on the choices, behaviors and decisions of corporate employees.

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And then finally, corporations and ethical accountability, we are going to take up this issue in greater details in their next module, but you might say that you know we are looking into the behavior of corporations, we are going to call a corporation ethical or unethical. And we are going to we are using the normative lens to talk about the practices the decisions made by the business and so on. But actually who are the agents here, whose behavior we are looking into and I have said that this is what it is all about namely the individuals. And a corporation is finally, all set it down are the people who are there, in isolation or in group or something.

So, if you say who is responsible who is accountable for this particular behavior, then we have to say that primarily it goes to the individual or the individual. While, that is correct I would like to also, but it also makes sense to say that a corporation is also accountable. So, and I am going to as I said I am going to elaborate this idea better in the next module.

But there is enough there are enough reasons to say how we can hold a corporation also as ethically accountable for it is practices over and above, the individuals. So, it is true that we can talk about the corporate executives or the CEO or the CFO etcetera we can talk about it, but there are enough reasons to also say that there the corporation is also accountable. So, you cannot leave the business completely out of the picture.

And one of the reason is that, you know we say that individuals are what the corporation is made of, but it is also true the other side of the story is also true it is well known that

the corporate culture changes people, it permeates into their way of looking at things, it permeates into their personality changes them and corporate policies are known to have great influence on people's behavior and people's way of thinking.

So, we are going to talk about the corporation as an entity all along I have defended that, we will definitely talk about individuals in the organizations and how they also can be labeled as good or bad, but this is not to absolve the corporation from all accountability. So, we will take it up later on, but this is what I wanted to talk about in this session at least.

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So, overall what we have discussed, so far I have introduced to you what is ethics And by in order to say what is ethics I have told you what it is not. I have in a very brief introduction of ethics, but still you have been exposed to the subject matter called ethics. We have talked about the possible origins of ethical norms where is it all coming from and I have given you several choices several options in that and then I have introduced business ethics as a kind of applied ethics.

So, now you know where on how to place business ethics and our discussion of Ethical Corporation would be part of that applied ethics called business ethics. We have had a brief exposure to what business ethics is, what it does, you know and what would be the some of the issues that it covers and so on and then finally, we talked about corporations and ethical accountability, they I have said earlier also that this point would be

elaborated, but I have touched upon it. So, that you do not think that it is only we are creating a fictitious entity to talk about when we mention ethical corporation. So, this is how far we will go for today, I hope you have understood the points that I have made, but this is how far in this lecture 3, 4 first week see you again, bye bye.