



ଓଡ଼ିଶା ରାଜ୍ୟ ମୁକ୍ତ ବିଶ୍ୱବିଦ୍ୟାଳୟ, ସମ୍ବଲପୁର, ଓଡ଼ିଶା
Odisha State Open University, Sambalpur, Odisha
Established by an Act of Government of Odisha.

Diploma in Entrepreneurship Development (DED)

DED-7

Business Communication and Ethics in Business

Block

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Unit-1

Consumerism and Consumer Rights

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Affirmative Action

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Gender Issues and Employee Rights

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Ethics Audit



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Unit – 1

Consumerism and Consumer Rights

Structure :

- 1.0 Learning Objectives
- 1.1 Introduction
- 1.2 Meaning and importance of Consumer
- 1.3 Duties and responsibilities of Consumer
- 1.4 Meaning of Consumerism
- 1.5 Understanding Consumer Rights
- 1.6 Let's Sum Up
- 1.7 Key Terms
- 1.8 Self-Assessment Questions
- 1.9 Further Readings
- 1.10 Model Questions

1.0 LEARNING OBJECTIVES

After going through this Unit, you will be able to:

- Define the term 'Consumer'
- Distinguish between a consumer of goods and a consumer of services
- State the meaning of 'Consumerism'
- Explain the various rights of consumers
- State the various responsibilities of consumers



1.1 INTRODUCTION

“Consumerism is a social movement seeking to augment the rights and powers of buyers in relation to sellers” – **Phillip Kotler**.

“Consumerism is a social force within the environment designed to aid and protect the consumers by exerting legal, moral and economic pressure on business” – **Cravers and Hills**.

A consumer is defined as someone who acquires goods or services for direct use or ownership rather than for resale or use in production and manufacturing. Consumer interests can also be protected by promoting competition in the markets which directly and indirectly serve consumers, consistent with economic efficiency, but this topic is treated in [competition law](#). Consumer protection can also be asserted via non-government organizations and individuals as [consumer activism](#). Consumer protection law or consumer law is considered an area of law that regulates [private law](#) relationships between individual consumers and the businesses that sell those goods and services. Consumer protection covers a wide range of topics, including but not necessarily limited to [product liability](#), [privacy rights](#), [unfair business practices](#), [fraud](#), [misrepresentation](#), and other consumer/business interactions.

Consumerism is the area of law which protects and safeguards the interests of consumers, defined as users of material goods and services for personal use. We often come across many people who complaint of having been supplied with inferior or adulterated goods for which they have paid full price. Similarly some people are seen grumbling that they have paid full fare but their bus and train seats were very uncomfortable. So, many a times people do not get the full worth of their money. Don't they have a right to get the full value of their money spent for the goods and services they want to avail of? Sometimes, people themselves are responsible for the inappropriate goods and services that are provided to them. Many a times, they do not know full details of the products or services they are interested in. Sometimes, they take the delivery of goods or avail of the services without caring for their quality. Is it not their responsibility to give full details of the goods and services required by them?

In India, The Consumer Protection Act, 1986 is governing consumer protection. Under this law, Separate Consumer Dispute Redress Forums have been set up throughout India in each and every district in which a consumer [complaint can be filed by both the consumer of a goods as well as of the services] can file his complaint on a simple paper with nominal court fees and his complaint will be decided by the Presiding Officer of the District Level. Appeal could be filed to the State Consumer Disputes Redress Commissions and after that to the [National Consumer Disputes Redressal Commission](#) (NCDRC). The procedures in these [tribunals](#) are relatively less formal and more people friendly and they also take less time to decide upon a consumer



dispute when compared to the year's long time taken by the traditional [Indian judiciary](#). In recent years, many effective judgments have been passed by some state and National Consumer Forums. [The Contract Act of 1982](#) act lays down the conditions in which promises made by parties to a contract will be legally binding on each other. It also lays down the remedies available to aggregate party if the other party fails to honour his promise. [The Sale of Goods Act of 1930](#) act provides some safeguards to buyers of goods if goods purchased do not fulfill the express or implied conditions and warranties. [The Agriculture Produce Act of 1937](#) provides grade standards for agricultural commodities and live stock products. It specifies the conditions which govern the use of standards and lays down the procedure for grading, marking and packaging of agricultural produce. The quality mark provided under the Act is known as AGMARK-Agricultural Marketing.

Consumer rights are an integral part of our lives like the consumerist way of life. We have all made use of them at some point in our daily lives. Market resources and influences are growing by the day and so is the awareness of one's consumer rights. These rights are well defined and there are agencies like the Government, consumer courts and voluntary organizations that work towards safeguarding. While we like to know about our rights and make full use of them, consumer responsibility is an area which is still not demarcated and it is hard to spell out that all the responsibility is that a consumer is supposed to shoulder. Consumer rights are the rights given to a "consumer" to protect him from being cheated by manufacturer/shopkeeper. Consumer protection laws are designed to ensure fair trade competition and the free flow of truthful information in the marketplace and to prevent businesses that engage in fraud or specified unfair practices from gaining an advantage over competitors and may provide additional protection for the weak and those unable to take care of themselves. Consumer Protection laws are a form of government regulation which aim to protect the rights of consumers. The purpose of economic planning is to allocate resources, as far as possible, for the maximum satisfaction of consumers' needs. Any goods or services produced in an economy are ultimately meant for consumers. There is a logical, moral and political force in the proposition that the consumers themselves should have the right to take decisions about the allocation of resources for their own needs. Realizing this need, the International Organization of Consumer Unions, now known as Consumers International, took the initiative and under its consistent lobbying, the United Nations adopted a set of Guidelines for Consumer Protection on April 9, 1985 which was revised in 1999. The Guidelines address the interests and needs of consumers worldwide and provide a framework for Governments, particularly those of developing and newly independent countries, to use for elaborating and strengthening consumer protection policies and legislation.

There are the following eight consumer rights by the Consumers' International:

- (1) Right to Choice
- (2) Right to Basic Needs



- (3) Right to Redress
- (4) Right to Safety
- (5) Right to Information
- (6) Right to Consumer Education
- (7) Right to Representation
- (8) Right to Healthy Environment

Need for Consumer Protection in Developing Countries like India:

- (1) Consumers are not organized
- (2) Illiterate consumer
- (3) Poverty
- (4) Unemployment

Consumer awareness about their legitimate rights has been constantly growing in recent years.

Consumer protection movement is a part of global recognition and concern that consumers are a weak party in buying goods and services as compared to the manufacturers and traders producing and selling them.

Ideally, a market economy where firms compete to sell goods and services to the consumers should serve the interests of consumers better but more often than not the consumers are exploited by the adoption of unfair and restrictive trade practices. Far from being a sovereign the consumer is a child who is too weak to resist or challenge the suppliers of goods and services.

Therefore, even in a free market economy he needs protection of his rights by a legal authority. Consumer protection is necessary even in a controlled economy where public enterprises play a dominant role since consumers are likely to be denied their rights in their case too.

Most consumers buy goods and services after being lured by advertisements exaggerating the contents and quality of their products or services. Legal support to them is required if they are to be protected from the exploitation and deception by the suppliers so that erring vendors are brought to book.

It is this increasing realization of the helplessness of the consumers and to ensure their legitimate rights that led to the resolution of the United Nations General Assembly in



1985 recommending to the member states for adopting preventive, protective and curative measures for the benefit of consumers.

Thus, this resolution required the member states to create agencies for adjudication of consumer claims and to create conducive environment for protection of consumers. In the UN General Assembly resolution Consumer Councils were recommended to be set up for redressal of the complaints and claims of consumers.

In what follows we first spell out the consumers' rights and then explain the need for consumer protection. We will then proceed to explain the important methods for consumer protection and Consumer Protection Act 1986 and later amendments made in it in 2002 for protection of consumer rights and redressal of consumer disputes.

1.2 MEANING AND IMPORTANCE OF CONSUMER

A consumer is an individual who [buys products](#) or [services](#) for [personal](#) use and not for manufacture or [resale](#). A consumer is someone who can [make](#) the [decision](#) whether or not to purchase an item at the [store](#), and someone who can be influenced by [marketing](#) and advertisements. Any time someone goes to a store and [purchases](#) a toy, shirt, beverage, or anything else, they are [making](#) that decision as a consumer. A consumer is a person or organization that uses [economic services](#) or [commodities](#).

Consumers are the basic economic entities of an economy. All the consumers consume goods and services directly and indirectly to maximize satisfaction and utility. Consumers have limited income and by which they want to satisfy their maximum utility (utility is the want satisfying capacity of a commodity).

In [economic systems](#) consumers are [utilities](#) expressed in the decision to [trade](#) or not. The consumer is the one who pays to consume goods and services produced. As such, consumers play a vital role in the [economic system](#) of a [nation](#). Without consumer [demand](#), [producers](#) would lack one of the key motivations to produce: [to sell](#) to consumers. The consumer also forms part of the [chain of distribution](#).

Recently in [marketing](#) instead of marketers generating broad [demographic profiles](#) and [market segments](#), marketers have started to engage in [personalized marketing](#), [permission marketing](#), and [mass customization](#). Largely due the rise of the [Internet](#), consumers are shifting more and more towards becoming "[prosumers](#)", consumers that are also producers (often of information and media on the [social web](#)) or influence the products created (e.g. by customization, [crowd funding](#) or publishing their preferences) or actively participate in the production process or use interactive products.

The law primarily uses the notion of the consumer in relation to [consumer protection](#) laws, and the definition of consumer is often restricted to living persons (i.e. not corporations or businesses) and excludes commercial users. A typical legal rationale for protecting the consumer is based on the notion of policing market failures and



inefficiencies, such as inequalities of bargaining power between a consumer and a business. As of all potential voters are also consumers, consumer protection takes on a clear political significance.

Concern over the interests of consumers has also spawned activism, as well as incorporation of consumer education into school curricula. In India, [the Consumer Protection Act 1986](#) differentiates the consummation of a commodity or service for personal use or to earn a livelihood. Only consumers are protected per this act and any person, entity or organization purchasing a commodity for commercial reasons is exempted from any benefits of this act.

4 Different Types of Consumers

When it comes to marketing, there is one aspect every business should be aware of: not all consumers are created equal. Just like there are different types of goods, services, and products, there are different types of consumers. They have different motivations for purchasing, different modes of engaging and different mindsets. In order to market a brand successfully, a business needs to understand the different consumer types and how to tailor effective marketing collateral for them. Let's take a look at four unique consumer types.

Loyal Consumers: Loyal consumers are likely to comprise a small segment of your consumer base. However, because of their loyalty, they are valuable to every business. Once they have found the right company to do business with they will remain loyal, often becoming a promoter of the brand by sharing their experience with their friends, family and extended social network. According to a recent study, only between 12 percent and 15 percent of consumers are loyal to a single retailer. However, that small group tends to generate between 55 percent and 70 percent of brand sales. How can a brand successfully market to a loyal consumer? The keys are personalization, individualized attention, and repeated marketing contact. These kinds of marketing strategies will yield the biggest return on investment.

Discount Consumers: Discount consumers are always on the hunt for discounts, as the name suggests. Like loyal consumers, they also have a tendency to frequent the same organizations and brands. However, they only make purchases when there is some kind of sale or discount. To market to the discount consumer, you need to advertise your offers and specials! Social media is a great way to share sales and ongoing promotions, as are personalized emails or brochures. If you have a sale going on, you need to let your customers know.

Impulsive Consumers: Impulse consumers are the most difficult when it comes to maximizing marketing collateral. These consumers often don't shop with a specific product or service in mind, let alone a brand. Rather they make purchases capriciously, buying when something strikes their fancy. Considering the whimsical nature of



impulsive consumer purchasing habits, tailoring marketing efforts to them may not seem to be the best use of your resources, right? Wrong. The vast majority of purchases are actually impulse purchases.

When brands figure out how to effectively market to impulse consumers, they can drive up their sales. Keep in mind that impulse buying tends to be emotionally driven as opposed to logically driven. This is distinct from more rationally driven consumer types, such as discount consumers (driven by a desire to save money) and loyal consumers (driven by fealty to a specific brand). The key is to tap into the impulsive consumer's emotions.

Need-Based Consumers: Need-based consumers purchase to fulfill a need. Maybe they have run into financial trouble and need advice. Perhaps they are going on vacation and need a new set of luggage. They could be approaching a milestone in their life and are seeking legal advice. In order to market to a need-based consumer, your marketing strategy needs to anticipate these needs effectively. That means utility-centric marketing, across multiple channels, including print, online, and social media. You need to segment your consumers by needs and tailor a marketing strategy to each of these needs, outlining how you can help in a particular situation or promoting a specific service.

Generally, consumer means an individual only; however, consumers will consist of a particular individual, a group of individuals, institutions etc. According to the nature of consumption, consumers can also be categorized in the following types:

(i) Direct Consumers: History tells us that at the very early stage of civilization producers produced all the basic needs of life for themselves and their families. All the basic needs like food, clothing and shelter they produced for their own and their family's consumption. Hence, the producers were producing goods for their self-consumption. Thus, they were called as direct consumers or direct producers also.

(ii) Consumers by Exchanging Products: With passage of time and civilization people understood the benefits of exchange. Hence, they tried to specialize on a particular or few products and then tried to exchange the product with the other product(s). The exchange started with barter system and now it is continuing with monetary system. This will create the concept of marketable surplus, i.e., the producers are not only producing goods for self-consumption, but some excess or surplus product(s) they are keeping to get other product(s) in exchange. For example, a farmer producing pulse not only for self-consumption but the extra or surplus pulse he will exchange with the producer of other product, say paddy.

(iii) Modern Consumers: These consumers only go to the market to buy the goods and services available in the market through money only. Here, the producers are also



producing goods or services directly sent to the market for the consumers. These consumers buy all the goods and services in lieu of money. The modern consumers are the outcome of monetary system.

4 types of Consumer Buying Behaviour

Wants are unlimited and the resources to satisfy these wants are limited. So the consumers think rationally before buying any product. Buying toothpaste is totally different from buying a luxury car. The more expensive the good is the more information is required by the consumer. There are four types of consumer buying behaviour on the basis of buyer involvement while purchasing any product.

	<i>High involvement</i>	<i>Low involvement</i>
<i>Significant differences between brands</i>	Complex buying behaviour (<i>motor cycle</i>)	Variety seeking behaviour (<i>washing detergent</i>)
<i>Few differences between brands</i>	Dissonance buying behaviour (<i>floor tiles</i>)	Habitual buying behavior (<i>toothpaste</i>)

High involvement: - the term means when the consumer is highly involved while buying a product. Generally this situation happens in case of expensive or luxurious goods. Like while buying a diamond necklace a consumer is highly involved.

Low involvement: - this term means when the consumer is not highly involved while buying a product. It happens in case of low price goods. Like while buying toothpaste a consumer is not highly involved.

Significant differences between brands: - it means when there are significant differences between brands.

Few differences between brands: - it means when there are very little differences between brands.



- **Complex buying behaviour:** - when the consumer is highly involved in the buying and there is significant differences between brands then it is called complex buying behavior. So in this case the consumer must collect proper information about the product features and the marketer must provide detailed information regarding the product attributes. For e.g. Consumer while buying a *motor cycle* is highly involved in the purchase and has the knowledge about significant differences between brands.
- **Variety seeking behaviour:** - in this case consumer involvement is low while buying the product but there are significant differences between brands. Consumers generally buy different products not due to dissatisfaction from the earlier product but due to seek variety. Like every time they buy different *washing detergent* just for variety. So it is the duty of the marketer to encourage the consumer to buy the product by offering those discounts, free samples and by advertising the product a lot.
- **Dissonance buying behaviour:** - here consumer is highly involved in the purchase but there are few differences between brands. Like consumer while buying a *floor tiles* buy them quickly as there are few differences between brands.
- **Habitual buying behaviour:** - in this case there is low involvement of the consumer and there are few differences between brands. The consumer buys the product quickly. For e.g. *Toothpaste*.

Importance of Consumers:

The customer is the foundation of any business' success. One of the primary goals of any marketing strategy should be to identify and meet the needs of the consumer. Considering customer importance at all stages of the marketing process helps your company to ensure greater customer satisfaction and increase its long-term goal of repeat business.

Psychological Considerations

The psychological makeup of consumers plays a crucial role in developing a product and a marketing campaign that identifies and addresses consumer needs. According to Lars Perner, assistant professor of clinical marketing at the University of Southern California, some of these considerations include how consumers "think, feel, reason and select between different alternatives." These considerations can be influenced by environment, such as culture, family and media. The purpose of marketing research is to identify these variables and to incorporate them into the campaign.

Marketing Considerations

Some of the considerations to take into account when marketing to your customers are honesty, integrity and clarity. Keeping consumer needs in mind is also an integral part of effective marketing. Sneaky advertising campaigns can generate quick sales, but



those sales will falter as consumers realize they've been duped. Selling a good product marketed with integrity brings back customers. To do this, a company needs to build customer confidence in its product over time. Customer confidence is what brings consumers back to your product and ensures long-term success.

Word of Mouth

Underestimating the power of customer word of mouth is detrimental to your success. Consumers like to talk, whether they are talking about a product they enjoyed or a product that left them wanting. Word of mouth has a snowball effect, particularly in an age when fast worldwide communication is common. Your company can't afford not to consider how quickly its product and reputation can be badmouthed or blacklisted. This is why marketing a product honestly and with integrity is important.

Customer Service

Considering customer needs during the development and promotion of a product is not the only way to emphasize customer needs. Customer considerations after the product has been marketed are important as well. Customer service and interaction with the consumer after the product has been sold not only build strong relationships with the consumer but offer companies valuable information that will help to design more effective marketing efforts in the future.

The importance of consumers in different avenues is discussed below:

(i) Encourage Demand: Consumers are the main source of demand for all the goods. The producers of industrial goods or the producers of agricultural products are all producing the various items according to the demand in the market. According to Prof. Marshall, it is the demand which controls the production or market. Hence, the consumers create demand in the market and producers produce goods or services accordingly.

(ii) Create Demand for Various Products: The different consumers have different types of demand or a single consumer can also demand different types of products. These will encourage the producers to produce various types of products in the market. For example, some consumers want to consume paddy, whereas some consumers want to consume wheat.

However, there are some consumers; who want different qualities of paddy and wheat also. Thus, there are some consumers who prefer red colour soap whereas other' consumers prefer green colour soap. Therefore, to satisfy all the types of consumers, producers must increase the production of various products.

(iii) Increase Demand for Consumer Goods: Consumers create more demand for all the types of consumer goods, like durable, semi- durable and perishable goods. Durable consumer goods include furniture, utensils, televisions, etc. and for semi-durable goods



like clothes, books, shoes etc. On the other hand, perishable goods like bread, butter, vegetables, fruits etc. are all demanded by the consumers for their consumption purposes. Naturally, all these create an atmosphere to increase demand for consumer goods.

(iv) Enhance Service Diversification: Consumers not only consume different varieties of goods, but also consume large varieties of services to maintain the standard of living. These include health service, educational service, banking and insurance service, transport and communication service, etc. Day by day the consumption of these services is rising. This will lead to expansion or enhancement of service sector within the economy.

1.3 DUTIES AND RESPONSIBILITIES OF CONSUMER

Apart from rights, there are certain duties of a consumer. Consumer should be conscious of his duties. He should make purchases judiciously and should not misuse his rights. Following are the duties of consumers:

- **Buying quality products at reasonable price:** It is the responsibility of a consumer to buy a product after having a thorough knowledge of its price and quality. He should enquire about the price from 2-3 shops and if possible from government stores to get an idea of its price. He can have the knowledge about the quality from his own experiences, from the experiences of other persons and through the medium of advertisement. Hence it is the duty of the consumer to buy quality product at right price only.
- **To check the weights and measures before making purchases:** Generally, the sellers often cheat consumer by using unfair weights and measures. The consumer should ensure that he is getting the product of right weight and measure. He should check the weights and balance. While buying cloth, ensure that the shopkeeper is not stretching the cloth while measuring. He should not buy a product which has been weighed along with its packing. Therefore the consumer should remain vigilant when the seller is measuring or weighing the product.
- **Reading the label carefully:** It is the duty of the consumer to read the label of the product. It should have complete and true information about the product.
- **Beware of false and attractive advertisements:** Often the product is not that attractive as it is made out in the advertisement by the seller. Hence, the duty of consumer is not to be misled by the attractive advertisements.
- **Beware of misleading schemes:** It is the duty of the consumer to beware of misleading schemes. These days almost every product in the market is available with a gift, discount, or a free product. For example, a free comb with soap, a discount on the soap or one free soap on buying one. Often a consumer



allured by such schemes and buys such products even when it is not needed because he is getting one item free.

The fact is that the seller has already inflated the price of the product and recovered its cost price in the scheme. Hence the consumer should be aware of the fact that he is getting anything free and should not be unwarranted things in greed.

- **Procure the bill, cash received warranty, etc.:** Often the consumer does ask for a bill or cash receipt in order to avail sales tax. Later on, if the product comes to be defective, he becomes helpless. Hence is the duty of the consumer to get the cash receipt, and warranty card, etc. so he/she may be able to go to the consumer court for the redressal of grievances.
- **Buying from reputed shops:** It is the duty of the consumer to make purchase from the reputed shops or government stores like super bazaar, cooperative stores, etc. By making purchases from such shops, the consumer can escape from the malpractices of the manufacturers and shopkeepers.
- **Don't make purchases from black market:** The consumer should discharge the duties of responsible citizen. He should not buy from black market and in excess of his requirements. In case of scarcity, like milk in summer, required quantity of the producing should be purchased, so that others may be able to get some.
- **To buy standardized product:** Often the consumer buys cheap products which are not durable or are not safe. Therefore, it is the duty of the consumer to buy products with standardization marks and is safe in every respect.
- **To use a product as per the instruction of the manufacturer:** It is the duty of the consumer to use the product as per its instructions, e.g., if a medicine carries instructions- 'Store in cool place'- it should be stored in the fridge. This would help in prevention of any damage to the medicine and loss to the consumer.
- **Knowledge of consumer rights:** These days the seller is trying to cheat the consumer in every possible way to earn maximum profits. It is the duty of the consumer to be aware of his rights. If a consumer is cheated by a seller, then he should lodge a complaint rather than to remain a silent spectator.

Consumers have five responsibilities: critical awareness; action; social concern; environmental awareness; and solidarity. But generally speaking, the fundamental duty of every consumer is to know their rights. The five aforementioned responsibilities were defined in order to delve deeper into the role of a consumer in society. When put into practice by the consuming public, they can greatly contribute in achieving the ideal state of consumer protection in the country.

Critical awareness: The consumer has the responsibility to be more alert and questioning about the use, price and quality of products and services. You are given the



right to information therefore; you have the responsibility to ask questions. How much is this product? What can it do? Is it safe to use? What are its hazards to my health? These are very basic questions, and the answers to them are very important in guiding and assuring consumers to get the best value for their money.

Action: The consumer responsibility to assert yourselves and act to ensure that you get a fair deal. Remember that as long as you remain passive consumers, you will continuously be exploited. You have your rights so you can be empowered to seek for what is due to you. The government is here to support and protect your welfare and your rights, but it is up to you to make use of them responsibly.

Social concern: The consumer responsibility to be aware of the impact of our consumption to other citizens, especially the less fortunate, exploited, disadvantaged or groups whether in the local, national or international community. In today's difficult times where resources are scarce, it is your responsibility as consumers to think of what will be the effect of your actions and choices to other people's lives. Make use of our resources wisely and never be wasteful. Practice conservation and share with those who are in need.

Environmental awareness: The consumer responsibility to understand the environmental consequences of your consumption. You should recognize your individual and social responsibility to conserve natural resources, and protect Earth for the future generations. The planet we are living in is our only home. We should protect and preserve it, for it is our only our source of life. Practice proper waste management and follow the three R's – reuse, reduce and recycle. Choose and make use of environment-friendly products. It can save our natural resources and refrain from causing damage to them.

Solidarity: The consumer responsibility to organize together to develop the strength and influence to promote and protect the rights, welfare and interests of the consuming public. Make your voices heard as a united consumer sector. Cooperate and collaborate with the government in ensuring consumer protection in the country. Organize yourselves to come up with better legislations in safeguarding your welfare, and refining the way we engage business in our nation. It is when we are united that we can accomplish greater things.

Consumer rights are now an integral part of our lives like a consumerist way of life. They have been well documented and much talked about. We have all made use of them at some point in our daily lives. Market resources and influences are growing by the day and so is the awareness of one's consumer rights. These rights are well-defined and there are agencies like the government, consumer courts and voluntary organizations that work towards safeguarding them. While we all like to know about our rights and make full use of them, consumer responsibility is an area which is still not demarcated and it is hard to spell out all the responsibilities that a consumer is supposed to shoulder.



In this chapter, we will give an overview of the 8 consumer rights, their implications and significance for a developing country like India, and also define the various aspects of consumer responsibility.

Consumer Rights

In the 20th century, the presence and influence of the market grew dramatically in consumer life. We began to purchase things from the market for a price. Soon, mass production and industrial production came into being, giving the consumer world an entirely new dimension. Have you ever wondered how much urban consumers depend on the market for fulfillment of even their basic needs? This over-dependence on the market and the inherent profit motive in mass production and sales has given manufacturers and dealers a good reason to exploit consumers. As a consumer, you would know how market products are constantly under-weight, of inferior quality and do not prescribe to quality standards specified by quality-control agencies. Consumers not only do not get value for their money but also often have to suffer losses and inconvenience due to market manipulations.

The 8 Consumer Rights

In order to safeguard consumer interest, 6 consumer rights were initially envisioned by consumer rights activists of the West, namely:

- Right to Safety
- Right to Information
- Right to Choice
- Right to be Heard
- Right to Redress
- Right to consumer education.

These rights were conceptualized in the developed world's consumer context where consumers are wealthy and completely dependent on the market to fulfill their needs. These rights had to be redefined keeping in mind the realities of a developing country like India. Consequently, two very important rights were added viz.:

- Right to Basic Needs
- Right to a Healthy and Sustained Environment

These two rights are very closely linked with the realities of developing countries where environment plays a very important role as a resource and support-structure for the people. In a country like India, a large section of the population looks for food security, assured safe water supply, shelter, education and health services. Most consumers relate very little to imported goods stacked in supermarkets or for choice among latest models of cars, as is the case in the developed world. For India's vast population, food security



and a safe environment are more pressing needs than any other consumer options and rights. The developing country natural resources also serve as a resource base for the developed world's industrial output.

Right to Basic Needs: Access to food, water and shelter are the basis of any consumer's life. Without these fundamental amenities, life cannot exist. In September 2001, India's stock of food grains were around 60 million tonnes, yet one third of the Indian population lives below the poverty line and consumers often go hungry or remain severely malnourished, leading to poor health. The recent starvation deaths in Odisha are a case in point. A very crucial objective of the conceptualization and existence of consumer rights is to ensure that consumers have an assured food supply, safe and permanent dwellings, and basic amenities of life like sanitation and potable water, and power supply. Urbanization is seen as a mark of development but for rural migrant population, living conditions in cities is very poor. The population of cities is growing rapidly in India and after 1988; the percentage of urban poor has been more than that of the rural poor. Around 20 to 25 per cent of the urban households live in slums, make-shift colonies or refugee settlements due to non-availability of affordable and decent habitat in urban areas. According to some estimates, in urban areas alone, there is a housing shortage of 17 million units. This has led to a habitat crisis in Indian cities. In rural India, the situation is equally bad, with a large part of the population still living in make-shift dwellings and hutment. With non-permanent housing come lack of sanitation facilities and other amenities like running water and electricity supply. Due to burgeoning population, most people do not have access to dry toilets in rural and urban areas. .

Food Security for Consumers : The recent deaths of poor people in Odisha due to starvation in August 2001 have indicated that food security is still a myth of a section of the Indian consumers. To solve this food scarcity problem, the Government of India mooted the PDS (Public Distribution System) to help reach food grain to the masses at subsidized rates through government-run 'Fair Price Shops'. There are about 4.5 lakh Fair Price Shops all over India of which 3.05 are in rural areas and 0.94 in urban areas. On an average there is 1 PDS shop for every 2000 consumers. Yet, many parts of India still suffer from food shortages. Poor distribution and under-utilization of food grains has led to artificially-created food scarcities in the country. Presently, there are 60 million tonnes of food grain in terms of buffer stock in Indian go downs. This food grain is rotting due to un-utilization and improper storage facilities. The need of the hour is to channelize this stock towards needy consumers and offer them 'food for work' programmes, which will not only give them employment but also money. Besides making sure that there is enough food accessible to consumers at all times, nutrition is another area which the health of children and the vulnerable sections of population is at stake. This is an area where consumers can take responsibility for ensuring that quality is added to their basic food supply.



Right to Safe Environment : For urban consumers, environment means parks, gardens, and deteriorating air and water quality. Most urban areas are bereft of any wildlife and people are unaware of the biodiversity around them. On the other hand, rural consumers rely on their environment for fulfillment of their basic needs.

The need for environmental conservation is seen as a necessary defence against deteriorating quality of life world-wide. We are all victims of contaminated food and water supply, pesticide-ridden food, adulterated milk and choking exhaust fumes emitting from vehicles. According to a World Bank report, India is being pushed back due to its high environmental costs. We lose around Rs 24,500 crores every year in terms of air and water pollution alone. If you live in a city, you must have experienced air and water pollution at some point of time. Children often fall ill due to polluted environments, it leads to increased health costs and discomfort for consumers. Valuable resources and man-days are lost due to polluted environment and living conditions. Consumers need to understand that only a safe environment can ensure the fulfillment of their consumer rights.

If we look closely at our immediate surroundings and our consumption patterns, we would find that we, ourselves, are responsible for causing environmental pollution to a certain extent. For instance, our monthly purchases include various kinds of washing detergents, toilet cleaning acids and chemicals like Harpic or Sanifresh, and a lot of non-biodegradable packaging for pre-packed food products. This leads to environmental problems like water and soil pollution, and waste disposal problems. It also shows that our consumption patterns are closely linked with the state of the environment and that environmental damage is mostly a result of irresponsible consumer behaviour

International Standards for Safeguarding Right to Safe Environment: Consumers International (a nodal agency of consumer organizations from all over the world) has made certain guidelines for ensuring consumers' right to safe environment. Consumers should be protected from environmental pollution by:

- Promoting the use of products which are environmentally sustainable
- Encouraging recycling
- Requiring environmentally dangerous products to carry appropriate warnings and instructions for safe use and disposal.

Promote the use of non-toxic products by:

- Raising consumer awareness of alternatives to toxic products
- Establishing procedures to ensure that products banned overseas do not enter national markets
- Ensure that the social impacts of pollution are minimized



- Promote ethical, socially and environmentally responsible practices by producers and suppliers of goods and services

Rural consumers are invariably closer to their environment than urban consumers. Their livelihoods and way of life depend on the environment around them. Their firewood and sources of energy come from trees, manure for fields comes from livestock, water is procured either from underground water supply or from rivers, the crops heavily depend on annual rainfall, even pesticides for safeguarding of crops and storage also come from trees like neem. In short, the rural life revolves around natural resources. For them, this dependence on the environment is complete and they have a stake in its preservation, whether it is for building their houses, fodder for their cattle etc.

Consumer Responsibility

While we all like to know about our rights and exercise them, we hardly ever accord the same importance and urgency to our consumer responsibilities. Consumer rights and responsibilities are intertwined together and without sharing consumer responsibility, consumers will find it very difficult to enjoy their rights on a long-term basis. Consumers need to tread cautiously in the market place.

While buying a product, ask yourself these questions:

Do you really need this product? For how long would you like to use it? Will it last as long as you would like it to?

What is the health fallout of that product? If it is a food product, does it give you any health benefits? Check the labeling of the product to see the nutritional chart of the product.

You can also empower yourself by knowing the law. For e.g., did you know that ISI mark on bottled mineral water has been made mandatory by the government and now labeling of non-vegetarian ingredient in food products will also mandatory for the industry?

Consumer responsibility can play a very important role in not only checking the market but also in restricting unnecessary consumption. It is not the sole responsibility of the market or of the government to provide consumers with detailed information. A consumer, on his part, must make every effort to inform himself of the product or service. For example, if a consumer consumes a health product, he must make efforts to inform himself beforehand about its possible side-effects, and must also exercise caution regarding his eating habits, diet and physical exercise, to take full advantage of the product.

Consumer responsibility is based on ethics and rationale. There are no definitive set of consumer responsibilities and a consumer must exercise restraint in consumption to consume responsibly. For example, conservation of the environment cannot be forced upon consumers but a consumer must make a conscious effort to reduce consumption, choose environment-friendly alternatives and conserve energy.



Consumer responsibility needs to be shouldered by different consumer segments. Every segment has its own special consumer profile and consumption patterns. These patterns define the kind of consumer responsibility that a segment must discharge.

Responsibility towards safe waste disposal: Most often we consume without sparing any thought for what's going to be left behind as waste. More and more percentage of waste generated in urban areas today consists of non-biodegradable waste. Urban consumers are making use of plastic, paper and cardboard packaging, disposables batteries, plastic throw-away pens, use and throw nappies, empty cans etc are becoming a common feature of an urban dustbin. India's urban population is around 300 million. By 2011, the total quantity of solid waste generated in urban areas is expected to cross 56 million tonnes, creating a waste management crisis for urban India. Consumers need to become accountable for their consumption patterns and their serious environmental and economic implications. The 4Rs of consumption (Reduce, Recycle, Refuse and Reuse) are not just a consumer's prerogative but also his consumer responsibility.

Responsibility to endorse safer products - Eco-labeling: Eco-friendliness is an important criterion in judging a product's feasibility. It is a way of assessing how much damage a product has caused to the environment. 'Eco-mark' is one way of knowing which products conform to environmental standards and are more environment-friendly than others. Eco-labeling is a methodology practiced by many countries in the world, including India. The Indian government has formulated a scheme whereby some categories of products are awarded the 'Ecomark' if they conform to certain standards set by the Ministry of Environment and Forests. Unfortunately, in India, the scheme has not taken off due to consumer apathy and lack of response. The market has manipulated this situation to lobby with the government to make eco-labeling a voluntary scheme, which will allow manufacturers to disclose and cover information at will.

Consumer Bonding: The consumer movement needs active participation of consumers to lobby with the government, pressure the market to deliver better quality, and to support consumer rights campaigns. Empowerment of consumers by NGOs and public campaigns is a two-way process and without continuing consumer support, no campaign can flourish.

Young Consumers and Consumer Responsibility: Children, teenagers and youth constitute a very important consumer segment for the market. Their consumption habits are unique and their purchase decisions are based on popular trends, brand image, use of new technology, flavour of food products, and style. The market also realizes that young consumers have a propensity to consumer junk food and prefer them over traditional forms of food. This characteristic is exploited by the market by associating convenience and a brand image with junk food like colas, pizzas, and fast-food joints.

There are three major brands of toothpaste in India, viz. Colgate, Pepsodent and Close-Up. All three of them compete with each other to capture maximum market share. In order to achieve this, they not only target children as consumers but also feature them in their advertisements to attract other young consumers. Colgate, for example, targets



young children in the age group of 5 to 12 and offers free cartoon booklets along with toothpastes. Pepsodent vies for the same consumer segment and depicts some children relishing snacks, confectionery and sweets, while others are scolded by their mothers for having done the same thing. This advertisement makes children believe that consumers who use Pepsodent are immune to any tooth decay because of the superior quality of the product. This claim is unauthenticated and attempts to mislead children. Close-Up, on the other hand, does not perceive children as its target audience. Instead, it targets teenagers and the youth. It creates a brand image of confidence and popularity for young consumers between the age group of 16-30. Its advertisements constantly feature successful friendships and romances between Close-Up users. Millions of rupees are spent on advertising a product which costs as little as Rs 30 and is considered ordinary by most consumers. From pushing toothpaste on neem sticks to advertising in the Kumbh Mela, the market can go to any extent to boost its sales. After a point, the sales tend to stagnate. This negative development is offset by constantly repackaging the present product and introducing new products. For instance, Colgate has a number of brands in the market, like Colgate Total, Colgate Dental Cream, Cibaca, Colgate Gel and Colgate Herbal.

Junk Food and Young Consumers: Young consumers are special targets of the junk-food industry. The market knows that fast food is addictive and once young people get used to having their fat, salts and sugar rich food, they will become their consumers for life. Also, young consumers have the indirect purchasing power of their parents, which makes them a very lucrative consumer segment. Thus it does not come as a surprise that the market spends huge sums of money at advertising campaigns alone.

The environmental impact of consumption must be considered before buying a product. A young consumer must consider what kind of waste is going to be left behind after s/he has consumed goods or services. For example, in school and college canteens, drinking cold-drinks in plastic cups, using disposable plates and mineral water bottles, has become very common and also a fashion statement. Students no longer bring home-cooked food or lunch boxes to schools. This has not only created a shift towards unhealthy food but also added to the waste management problem.

Environment conservation and safe waste management is a prime consumer responsibility. We should be responsible for the garbage we create as a result of our consumption habits. Young consumers can actively contribute to safe disposal of waste by minimized generation of non-biodegradable waste and by participating and initiating activities like vermin-composting and segregation of waste.

Schools are learning grounds, not just for education but also for practical life skills. Students can be introduced to the concept of 'polluters pay' by teaching them paper recycling, conservation of electricity, and recycling of water. Also, leadership qualities can be instilled in students by allowing them to monitor activities like garbage disposal, paper recycling, and rain water harvesting.



Women Consumers: Women consumers not only constitute 50 per cent of the total consumer population but also make 80 per cent of all purchase decisions. They are being specifically targeted by the market because of their growing purchasing power and their 'working-woman' status. Now, women have the dual role of family-makers and work professionals to play. As a result, they have less time, increased pressures and are slowly being de-linked from their traditional knowledge bank. The market takes advantage of this situation by offering to women instant services and products, like fast-food, 'two-minute' snacks, and refrigerators and washing machines with supposedly better technologies. Women consumers have the responsibility of choosing products that are not just convenient but also safe to use and eco-friendly. They must evaluate the nutrition content of food products before buying them and weight their quality with traditional foods that are less-expensive, have better nutritional scores and consume less resources like packaging and transportation.

1.4 MEANING OF CONSUMERISM

Consumerism is a social and economic order and [ideology](#) that encourages the acquisition of goods and services in ever-increasing amounts. In politics, the term "consumerism" has also been used to refer to the *consumerists' movement*, [consumer protection](#) or [consumer activism](#), which seeks to protect and inform consumers by requiring such practices as honest packaging and advertising, product guarantees, and improved safety standards. In this sense it is a political movement or a set of policies aimed at regulating the products, services, methods, and standards of manufacturers, sellers, and advertisers in the interests of the consumer.

In [economics](#), "consumerism" may refer to economic policies which emphasize [consumption](#). In an abstract sense, it is the consideration that the [free choice](#) of consumers should strongly orient the choice by manufacturers of what is produced and how and therefore orient the economic organization of a society. In this sense, consumerism expresses the idea not of "one man, one voice", but of "one dollar, one voice", which may or may not reflect the contribution of people to society.

As a consumer, you must be using goods and services from time to time. You may be having the experience of being exploited by some or the other suppliers. Sometimes they over-charge or supply inferior quality goods and services. It is difficult to stop such exploitation by any consumer single handedly. The intensity of such exploitation may be restricted if consumers become alert and collectively take a stand against such malpractices. Self-effort on the part of consumers for safe-guarding themselves is known as "consumerism".

Consumerism refers to a movement by consumers to ensure fair and honest (ethical) practices on the part of manufacturers, traders, dealers and services providers in relation to consumers. The movement may be regarded an attempt by individual consumer



activists and consumer associations for creating consumer awareness about the malpractices in the market and finding ways and means to protect their interests.

This movement will be successful if consumers are aware of their rights and responsibilities while using goods and services. Let us learn about the various rights and responsibilities of consumers.

Consumer in India had started its journey with a need to raise his voice against the quality of goods as back as in 1969 through housewives at Mumbai .It took a shape of revolution at later stage and one day our parliament passed an act for the welfare of consumers in 1986 .This Consumer Protection Act 1986 had further undergone many challenges, criticism and even question on its legal validity was also put before the honorable Supreme Court of India After hearing all sort of accusation and constraints from the big business houses , our apex court held this welfare act very much valid , legal and within the framework of our constitution .

Since 1986 and after three important amendments to the act, scenario in the market has drastically changed and consumerism in India is diverted to more of lust than limited to needs .We are now easily confusing the things with what we need and what we want Its true ,if we work hard ,we deserve nice things .But stuffing plenty of nice things which we really do not need deprive the other consumers from the things they require for their survival .Keeping four cars for four persons in the family is ultimately going to affect others and also more consumption of nation's resources like petrol etc. Our sense of entitlement can muddy the waters when it comes to what you want and what you really need. The sizes of our houses are expanding as per our income and resources irrespective of the fact what we had in olden days. People were having more kids but still living in houses far smaller than we are willing to settle for today. Now we want a room for every child, plus a living room, family room, media room, and kids' playroom. And if we have to share a television, we are very uncomfortable with the idea.

This sense of entitlement is building commercial pressure on our children. Rates of depression, anxiety and other mental illnesses have risen in the past two decades in the children .A report submitted to the inquiry by the National Consumer Council found that children in deprived areas were more obsessed with money and shopping than youngsters from better-off homes. Poorer children wanted a job with a high salary compared with children from affluent areas and they were the main victims of consumerism, as per the report conducted by the charity "The Children's Society"

Our consumption patterns are so much a part of our lives that to change them would require a massive cultural overhaul, In consumer society of the day now, people replace their goods with newer ones, use them and throw them away. The question of repair does not arise People have money to purchase goods in plenty. In case, they do not do so, it leads to recession massive unemployment. The success of a consumer society is measured with the rate of production, purchase and consumption .The society is



considered to be progressing if all above elements are present there. The single most important measure of economic growth is the gross national product (GNP), the sum total of goods

But at the same time as per— *Richard Robbins*,

“ the production, processing, and consumption, of commodities requires the extraction and use of natural resources (wood, fuels, and water); it requires the creation of factories and factory complexes whose operation creates toxic byproducts, while the use of commodities themselves (e.g. automobiles) creates pollutants and waste. Yet of the three factors environmentalists often point to as responsible for environmental pollution — population, technology, and consumption — consumption seems to get the least attention. One reason, no doubt, is that it may be the most difficult to change;”

Consumerism is appreciated in Western economies since a person’s standard of living is valued by his or her material possessions. There are certain positive effects such as:

Positive Consumerism Effects:

Primary positive consumerism effects are:

- More industrial production.
- A higher growth rate economy.
- More goods and services available.
- More advertising since goods manufactured have to be sold.
- Increased production will result in more employment opportunities.
- A variety of choice for goods and services
- More comforts for a better living style.

Negative Consumerism Effects:

Top negative consumerism effects are:

The main cause of the current environmental crisis is human nature. More specifically, all we’re doing is what all other creatures have ever done to survive, expanding into whatever territory is available and using up whatever resources are available and one day it may result into a death in their own waste.

The University of Colorado at Boulder likened the expansion of human cities to the growth and spread of cancer, predicting “death” of the Earth in about 2025. Since the human population has quadrupled in the past 100 years, at this rate it will reach a size in 2025 that leads to global collapse.

- One is in a rat race to earn more and is forced to cope up with stress and other work related tensions.



- Material wealth is the deciding factor about whether a society is highly developed or not. Our ethical and spiritual values are left unimportant under the circumstances.
- Over-dependence on labor saving devices.
- A car for each individual would mean gradual erosion of public transport.
- Crime rate also increases as wants to possess expensive gadgets increase. Thefts become common and daylight robberies take place.
- Personal relationships also get affected as people are busy trying to earn more to maintain their standard of living.
- Cheaper goods are Today's consumption which also affect environmental resource
- Consumerism has also resulted in ecological imbalances. The natural habitat is being destroyed to create more goods and build more buildings affecting the weather. Global warming will eventually result in health problems. Industrial pollution is affecting people rather than focusing on simplicity.

In the 21st century's globalized economy, consumerism has become a noticeable part of the culture. Critics of the phenomenon not only criticized it against what is not environmentally sustainable, but also the spread of consumerism in cultural aspects. As of today, people are exposed to mass consumerism and [product placement](#) in the media or even in their daily lives. The line between information, entertainment, and promotion of products has been blurred so people are more reformulated into consumerist behaviour. [Shopping centers](#) are a representative example of a place where people are explicitly exposed to an environment that welcomes and encourages consumption. Goss says that the shopping center designers "strive to present an alternative rationale for the shopping center's existence, manipulate shoppers' behavior through the configuration of space, and consciously design a symbolic landscape that provokes associative moods and dispositions in the shopper".

The success of the consumerist cultural ideology can be witnessed all around the world. People rush to the mall to buy products and end up spending money with their [credit cards](#), thus locking themselves into the financial system of [capitalist](#) globalization.

Social movement to protect the consumers from unfair and unhealthy restrictive trade practices by the manufacturers and suppliers is also called consumerism. An eminent management expert states, "Consumerism is a social movement seeking to augment the rights and powers of consumers". Similarly, Boyd and Allen state, "Consumerism may be defined as the dedication of those activities of both public and private organizations which are designed to protect individuals from practices that impinge upon their rights as consumers".

Important Methods of Consumer Protection:

How to ensure consumer protection from unfair, restrictive, deceptive and exploitative practices of manufacturers and suppliers?



The important ways for consumer protection are:

1. Imposition of self-regulation and discipline by the manufacturers and suppliers of goods and services for working in the interests of consumers.
2. The role of government which can enact laws for the protection of consumers and make arrangements for their enforcement.
3. Voluntary organization of consumers to form groups such as NGO, cooperative societies to safeguard the interests of consumers.

We explain below in detail the above three ways of protection of consumers.

Imposition of Self-Regulation and Discipline by Manufacturers and Dealers:

The important way for consumer protection is the voluntary imposition of self-regulation and discipline by the manufacturers and others engaged in supplying and distributing goods and services. If they are self enlightened, they would pay due attention to the consumer rights. Of course, producers' main aim is to maximize their profits but this should be achieved by raising their efficiency in production and quality of their products rather than deceiving and exploiting consumers.

The socially responsible producers and distributors must not form cartels and adopt monopolistic practices to fleece consumers by charging high prices. Prime Minister Dr. Manmohan Singh in the annual session of Confederation of Indian Industry (CII) in May 2007 rightly urged the captains of Indian industries to exercise self-restraint in charging and raising prices by using their monopolistic power.

To quote him, "The operation of cartels by groups of companies to keep prices high must end. It is unacceptable to obstruct the forces of competition from having free play. It is even more distressing in a country where the poor are severely affected by rising commodity prices. Cartels are a crime and go against the grain of an open economy".

He further adds: "Maximization of profits should be within the bounds of decency and greed". Similarly, long ago, Mr. T. Thomas, a former chairman of Hindustan Lever Limited in his speech at the 44th Annual General Body Meeting in 1977 stated, "Restraint is best exercised voluntarily than through legislation which will otherwise become inevitable. Advertising agencies and marketing management have a very important role to play in this respect. By over-playing the claims they will be cutting the very branch on which they are perched".

However, in our opinion it is idle to expect that private business executives will impose self-discipline on them and exercise restraint on deceiving and exploiting the consumers



for maximizing their profits. The fact is they regard making large profits as a symbol of their success in business and it has therefore become a mission of their life.

However, a novel way to ensure compliance of business for paying due regard to the consumer rights and the promotion of social welfare is to 'publicize' certain important information about proper code of conduct and require businesses to report their degree of compliance to this information. For example, in the USA, the government provides and widely publicizes information about industrial pollutants and requires the manufacturers to report about the extent of pollution generation by them.

The submission of reports about their emission of pollutants and Government's publicity about them induces some compliance by them in maintaining standards of safety. A noted example is the 'US Toxic Release Inventory'. According to this, manufacturers are required to submit reports about the toxic materials they release in the environment. This induces them to reduce pollution to maintain their reputation.

Voluntary Organization of Consumers to Protect their Rights:

In some countries the consumers have organized themselves on a voluntary basis to form consumer groups or councils. They are non-government organizations (NGOs) to protect consumer rights.

These voluntary consumer groups or councils protect consumer rights in the following ways:

1. They issue leaflets providing information so as to educate consumers on matters affecting them.
2. They have been pressing for proper labeling of the products with maximum price to be charged, the contents of the product, especially drugs, side effects if any, of the product etc.
3. Organizing movements against the malpractices of manufacturers and traders of the products.

In Delhi, Mumbai and other important cities voluntary consumer organizations came into existence in sixties and seventies when prices of goods rose very high to resist the hike in prices by traders arbitrarily. The idea of Super Bazar on cooperative principles emerged from this price resistance movements of consumers. Besides, an organization named 'Common Cause' established by late Mr. H.D. Shourie and based in Delhi did a very useful work in protecting the rights of consumers.

Consumer cooperative movement also started to protect the consumers against the malpractices and traders of goods. A consumer cooperative is a voluntary association of



consumers formed to promote their interests. The consumers enhance their bargaining power as against traders and manufacturers.

The consumer cooperatives protect the consumers in the following ways:

1. These cooperatives purchase commodities in bulk and generally directly from the manufacturers and therefore they are able to provide goods to the consumers at reasonable prices.
2. The consumers themselves control the cooperatives. They are therefore assured of standard quality and unadulterated goods.
3. Correct weights and measures are used by the cooperative societies and therefore consumers are saved from any deception in this regard.
4. In India consumer cooperatives are especially engaged in distributing essential commodities at controlled prices.

Despite the efforts of voluntary organizations to protect consumers and safeguard their legitimate rights, these voluntary organizations have not succeeded much in protecting consumers. Their growth has been limited mainly to house building societies.

Other voluntary cooperative societies work at the level of distributing goods and are able to eliminate malpractices of middlemen. But, the real problem is to save the consumers from monopolistic, unfair and restrictive trade practices of manufacturers of goods and services and misleading advertisements by them to exploit the consumers.

Government Role in Consumer Protection:

The government can play an important role for protection of consumers. It can enact various legislations for protection of consumers. According to the UN guidelines for Consumer Protection, “the government role in consumer protection is vital and finds expression through policy making legislations and establishment of institutional authority for its enforcement. To provide a legal basis for its enforcing basic consumer rights every country needs to have irreducible minimum of consumer protection legislation covering physical safety, promotion and protection of consumers’ economic interests, standards for the safety and quality of goods and services, distribution facilities, redress, education and information programmes. Governments also require the necessary machinery to enforce such legislation.”

In both the developed and developing countries the governments have taken several measures to protect consumers. Laws relating to cooperative societies have been enforced in India for quite some time now. Besides, consumers have been sought to be protected by enactment of several laws by government. The important laws have been passed by the government to protect consumers and uphold their rights.



These laws include:

- (1) Prevention of Food Adulteration Act, 1954
- (2) The Essential Commodities Act, 1985
- (3) Agricultural Produce (Grading and Marketing) Act
- (4) Drugs Control Act
- (5) Drugs and Cosmetics Act
- (6) Standards of Weights and Measures Act
- (7) Drugs and Magic Remedies (Objectionable Advertisement) Act
- (8) Water (Prevention and Control of Pollution) Act
- (9) Prevention of Black Marketing and Maintenance of Essential Commodities Act
- (10) Air (Prevention and Control of Pollution) Act

Besides, Monopolistic and Restrictive Trade Practices (MRTP) Act was passed in 1969 to check monopolistic and restrictive trade practices. This Act was based on the economic theory that control of monopolies and prevention of mergers will lead to competition among the manufacturers and suppliers of goods and therefore cause expansion in their output and will therefore also provide benefits to the consumers. Under Section 12B of the MRTP Act, MRTP Commission has been given the necessary powers to award compensation in the matter of unfair trade practices.

Above all, in 1986, the Indian government passed Consumer Protection Act. Under it the consumers have the right to approach appropriate consumer forum or commission set up under the Act to get their complaints redressed. In what follows we will explain the provisions of Consumer Protection Act 1986.

1.5 UNDERSTANDING CONSUMER RIGHTS

You know that today consumers face various problems on account of competition in the market, misleading advertisements, availability of inferior quality of goods and services, etc. Hence protection of consumers' interest has become a matter of serious concern for the Government as well as public bodies. It is to safeguard the interest of consumers; government has recognized certain rights of consumers. In other words, if consumers are to protect themselves from being exploited or cheated, they have to be given certain rights so that they are in a position to ensure that sellers of goods and service providers are more careful in dealing with them. For example, one of the rights of consumers is



the right to choose. If you are aware of this right, you may ask for different varieties of the same product to be shown to you by the shopkeeper so that you can choose what you like. Sometimes, shopkeepers try to sell a particular brand of product on which they get higher commission on sale. It may not be of the best quality, or it may be available at a relatively lower price. This practice can be prevented if you exercise your right to choose the product and visit other shops if one shop does not have a large variety of the product.

In order to maximize profits, many businessmen exploit consumers by supplying poor quality goods at higher prices. They adopt unfair trade practices such as adulteration, hoarding, black-marketing, etc.

As a result consumers do not get value for their money. Big business houses use their power for private gain and to the detriment of consumers. Consumers are exposed to physical, environmental and other hazards.

They need to be protected from spurious, duplicate and adulterated products, pollution of air, water and noise, and misleading advertising.

Consumers need protection due to the following reasons:

- 1. Illiteracy and ignorance:** Consumers in India are mostly illiterate and ignorant. They do not understand their rights. A system is required to protect them from unscrupulous businessmen.
- 2. Unorganized consumers:** In India consumers are widely dispersed and are not united. They are at the mercy of businessmen. On the other hand, producers and traders are organized and powerful.
- 3. Spurious goods:** There is increasing supply of duplicate products. It is very difficult for an ordinary consumer to distinguish between a genuine product and its imitation. He pays the price for the original but gets a substandard product. It is necessary to protect consumers from such exploitation.
- 4. Deceptive advertising:** Some businessmen give misleading information about quality, safety and utility of products. Consumers are misled by false advertisement and do not know the real quality of advertised goods. A mechanism is needed to prevent misleading advertisements.
- 5. Malpractices of businessmen:** Fraudulent, unethical and monopolistic trade practices on the part of businessmen lead to exploitation of consumers. Consumers often get defective, inferior and substandard goods and poor service.

Certain measures are required to protect the consumers against such malpractices. Greedy businessmen indulge in adulteration, hoarding, black-marketing and other illegal practices.

6. Freedom of enterprise: Businessmen must ensure satisfaction of consumers. In the long run survival and growth of business is not possible without the support and



goodwill of consumers. If business does not protect consumer's interests. Government intervention and regulatory measures will grow to curb unfair trade practices.

Thus, consumers need protection against the following:

- (a) Unsafe and harmful products,
- (b) Unfair trade practices,
- (c) False advertising,
- (d) Abuse of monopoly power,
- (e) Environmental pollution.

Consumers in the developed countries such as the USA and UK are much more conscious of their rights. But in countries such as India consumers are quite a vulnerable lot due to their poverty, illiteracy and lack of awareness of legal rights. As a result, manufacturers and suppliers of goods and services generally exploit the consumers by adopting unfair and restrictive trade practices.

However, consumer awareness is constantly increasing in India too and the consumers who have been deceived or exploited are increasingly approaching the consumer forums or councils set up by the government for redressal of their complaints and settlement of their claims for damages.

The following are the important Consumer Rights:

- (i) **Right to safety:** Consumers have a right to be protected against marketing of goods which are injurious to health and life. As a consumer if you are conscious of this right, you can take precautions to prevent the injury or if injury is caused in spite of precaution, you have a right to complain against the dealer and even claim compensation. For example, if you buy any medicine, the pharmacy selling it can be held responsible if the medicine proves harmful. Again if gas cylinder is used for cooking, you have to check that it does not leak when it is supplied to you. If it starts leaking afterwards, the supplier will be liable to pay compensation if the leakage of gas leads to fire and causes injury or death to anyone.
- (ii) **Right to be informed:** Consumers also have the right to be informed about the quantity, quality, purity, standard or grade and price of the goods available so that they can make proper choice before buying any product or service. Also, where necessary, the consumer must be informed about the safety precautions to be taken while using the product to avoid loss or injury. Taking the example of gas cylinder again, the supplier must inform the user to stop the flow of gas with the help of the regulator when it is not in use.



- (iii) **Right to choose:** Every consumer has the right to choose the goods needed from a wide variety of similar goods. Very often dealers and traders try to use pressure tactics to sell goods of poor quality. Sometimes, consumers are also carried away by advertisements on the TV. These possibilities can be avoided if consumers are conscious of this right.
- (iv) **Right to be heard:** This right has three interpretations. Broadly speaking, this right means that consumers have a right to be consulted by Government and public bodies when decisions and policies are made affecting consumer interests. Also, consumers have a right to be heard by manufactures, dealers and advertisers about their opinion on production and marketing decisions. Thirdly, consumers have the right to be heard in legal proceedings in law courts dealing with consumer complaints.
- (v) **Right to seek redressal:** If and when any consumer has a complaint or grievance due to unfair trade practices like charging higher price, selling of poor quality or unsafe products, lack of regularity in supply of services etc. or if he has suffered loss or injury due to defective or adulterated products, he has the right to seek remedies. He has a right to get the defective goods replaced or money refunded by the seller or dealer. He also has the right to seek legal remedies in the appropriate courts of law. Through this right the consumers are assured that their complaints will receive due attention. This right also provides for due compensation to consumers if they have suffered a loss or are put to inconvenience due to the fault of the supplier or manufacturer.
- (vi) **Right to consumer education:** To prevent market malpractices and exploitation of consumers, consumer awareness and education are essentially required. For this purpose, consumer associations, educational institutions and Government policy makers are expected to enable consumers to be informed and educated about (a) the relevant laws which are aimed at preventing unfair trade practice; (b) the ways in which dishonest traders and producers may try to manipulate market practices to deceive consumers; (c) how consumers can protect their own interest; and (d) the procedure to be adopted by consumers while making complaints.

Steps have been already taken by many consumer bodies to educate consumers through pamphlets, journals and posters. TV programmes have also come to play an effective role in this connection.

The Need for Consumer Protection:

Consumers are largely denied their due rights, especially in developing countries such as India. The consumers are spread widely all over a country and are poor, illiterate and are generally not aware of their rights, though their awareness has recently increased. The manufacturers and suppliers of goods or services often exploit consumers by



adopting a number of unfair and restrictive trade practices. They often merge and also form tacit cartels to raise prices for maximizing their profits at the expense of consumers.

For instance, in case of drugs manufacturers generally charge high prices which are much above their cost of production. Some pharmaceutical companies misuse their patent rights to exploit consumers. They therefore need protection from unfair and restrictive trade practices of producers and suppliers of goods or services.

Misleading advertising is another means by which the producers deceive the consumers. Advertisement is of two types. One is informative advertisement which informs the consumers about the availability of certain products at certain prices. This is not objectionable as it provides information to the consumers.

However, more often the purpose of advertisement by the manufacturers and suppliers is to mislead the ill-informed consumers about the quality and contents of their products and services. They indulge in what is called persuasive advertisement to compete away customers from their rivals. Such persuasive advertisements serve no useful social purpose and lead to deception of consumers.

The cost of advertisement is added to the cost of production and this leads to very high prices being charged from the consumers. The Indian readers will know well that crores of rupees are spent on film actors and cricket players as brand ambassadors and on advertisements on print and electronic media to promote the sale of their products.

From whom such heavy costs incurred on advertising are recovered? Such heavy advertising expenditures just enable the manufacturers at the most to maintain their market shares of the product without adding much to its total output. The consumers need protection from such deception of persuasive advertisements. The government should not allow such heavy advertising cost to be incurred as valid cost for calculation of taxable profits of the firms.

The other and highly injurious practice by the suppliers, especially in India, is widespread practice of adulteration of commodities. The adulteration by private sector can take place right from the manufacturing point to the ultimate supplier of the products to the consumers.

It has been found that small pebbles and dust are mixed with wheat, maize, jawar and bajra to increase weight, sand is mixed with cement, leaves and barks of some trees are mixed with tea leaves. Again Vanaspati is often mixed with desi ghee and butter, etc. All these practices of adulteration are hazardous to health and life of the consumers and they need protection from them. But the most injurious is the widespread practice in India by manufacturers and dealers of spurious drugs which do immense harm to the health and life of the people.



It is due to the above practices of the manufacturers and suppliers which have resulted in consumer protection movement and have forced the governments to enact legislation to protect the consumers.

Consumer protection is important for protecting consumers and instilling confidence in different institutions within the country. The laws are able to guarantee safety and quality of the products and services consumers use. A country can only experience a growth in economic activities when consumers have trust in the producers, so the producers must work to provide the assurance required to win the trust of consumers.

Inexperienced consumers are more vulnerable to being sold poor quality products and to illegitimate sales. Consumer protection laws take into account the challenges faced by such consumers to ensure that they are protected from fraudulent sellers and unsafe products. There are also several agencies and services that help to ensure consumer protection.

In the service industry, the consumers interact with the producers regularly when hiring their services. In this type of situation, there must be assurance that the person a consumer is dealing with is reputable and legitimate. This creates an opportunity for the existence of middlemen to serve as a link of trust between the consumer and the producer. Typically, consumer protection policies are important to protect consumers from cons, misleading advertisements, poor services and unsafe goods.

1.6 LET'S SUM UP

Invariably, consumers are a vulnerable lot for exploitation, more so in a developing country with the prevalence of mass poverty and illiteracy. India too is no exception to it. Instances like overcharging, black marketing, adulteration, profiteering, lack of proper services in trains, telecommunication, water supply, airlines, etc are not uncommon here. From time to time, the government has attempted to safeguard consumer's interests through legislations and the CPA 1986 is considered as the most progressive statute for consumer protection. Procedural simplicity and speedy and inexpensive redressal of consumer grievances as contained in the CPA are really unique and have few parallels in the world. Implementation of the Act reveals that interests of consumers are better protected than ever before. However, consumer awareness through consumer education and actions by the government, consumer activists, and associations are needed the most to make consumer protection movement a success in the country.

In many critical contexts, *consumerism* is used to describe the tendency of people to identify strongly with products or services they consume, especially those with commercial [brand](#) names and perceived [status-symbolism](#) appeal, e.g. a [luxury car](#), [designer clothing](#), or expensive [jewelry](#). Consumerism can take extreme forms such



that consumers sacrifice significant time and income not only to purchase but also to actively support a certain firm or brand.

Opponents of consumerism argue that many luxuries and unnecessary consumer products may act as a social mechanism allowing people to identify like-minded individuals through the display of similar products, again utilizing aspects of status-symbolism to judge [socioeconomic status](#) and [social stratification](#). Some people believe relationships with a product or brand name are substitutes for healthy human relationships lacking in [societies](#), and along with consumerism, create a [cultural hegemony](#), and are part of a general process of social control in modern society. Critics of consumerism often point out that consumerist societies are more prone to damage the environment, contribute to [global warming](#) and use up resources at a higher rate than other societies.

1.7 KEY TERMS

Consumerism, Consumer Activism, Unfair Business Practices, Fraud, Misrepresentation, Redressal, Disputes, Tribunals, Consumer Forum, Consumer Rights, Fair Trade, Consumer Protection, Unemployment, Legitimate Rights, Demographic Profile, Impulsive Consumer, Buying Behaviour, Ethical Behaviour, Word of Mouth, Customer Service, Social Concern, Environmental Awareness, Consumer Responsibility.

1.8 SELF-ASSESSMENT QUESTIONS

- Q.1 One who buys goods may or may not be a consumer. Is it so?
- Q.2 Is it correct to say that anyone who consumes food must be its buyer?
- Q.3 Can a shopkeeper be regarded as a consumer if he buys a readymade shirt for his own use?
- Q.4 I have paid membership fee to a public library and use it for reading books and journals. Am I a consumer of services?
- Q.5 Your friend bought a story book and having read it, sold it to a bookseller selling second-hand books at a lower price. Is your friend a consumer?

1.9 FURTHER READINGS

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1.10 MODEL QUESTIONS

- Q 1 Why do people need consumer protection?
- Q 2 What are the positive consumerism effects?
- Q 3 List down the types of consumer buying behaviour.
- Q 4 Describe the need of consumer responsibility.



Unit-2

Affirmative Action

Structure

- 2.0 Learning Objectives
- 2.1 Introduction
- 2.2 Importance of Ethical Behaviour at the Workplace
- 2.3 Benefits of Managing Ethics at the Workplace
- 2.4 Promoting Ethical Conduct at the Workplace
- 2.5 Ethical Workplace Culture
- 2.6 Let's Sum Up
- 2.7 Key Terms
- 2.8 Self-Assessment Questions
- 2.9 Further Readings
- 2.10 Model Questions

2.0 LEARNING OBJECTIVES

After going through this Unit, you will be able to:

- Recognize the importance of ethical leadership and ethical character
- Define workplace ethics: from legal compliance to organizational policy
- Maintain ethical compliance under the federal sentencing guidelines
- Identify key areas that present ethical dilemmas to the modern workforce
- Review the world of ethics—trends and case law across the nation
- Develop effective skills for spotting and handling ethical dilemmas



- Implement “transparency” by creating a culture of willful compliance
- Understand and complying with your organization’s code of conduct

2.1 INTRODUCTION

“Affirmative action” means positive steps taken to increase the representation of women and minorities in areas of employment, education, and culture from which they have been historically excluded. When those steps involve *preferential* selection—selection on the basis of race, gender, or ethnicity—affirmative action generates intense controversy.

The development, defense, and contestation of preferential affirmative action has proceeded along two paths. One has been legal and administrative as courts, legislatures, and executive departments of government have made and applied rules requiring affirmative action. The other has been the path of public debate, where the practice of preferential treatment has spawned a vast literature, pro and con. Often enough, the two paths have failed to make adequate contact, with the public quarrels not always very securely anchored in any existing legal basis or practice.

Affirmative action is a U.S. practice of remedying the effects of past discrimination in matters related to employment, such as recruitment, hiring, training, promotions and termination. Many employers achieve equity and diversity through means other than formal affirmative action measures.

Equal Opportunity Employment and Affirmative Action

An equal opportunity employer is an organization that is subject to federal workplace laws such as Title VII of the Civil Rights Act of 1964. Affirmative action, on the other hand, is a statutory requirement under Executive Order 11246 that applies to certain employers that receive money from the federal government for products and services. There are two separate, yet common misconceptions about equal opportunity employment and affirmative action: That all equal opportunity employers are affirmative action employers and that affirmative action employers have hiring quotas for minorities and women. Neither is true. Plus, hiring quotas are unlawful and illegal practices under affirmative action rules. Numerous other examples of affirmative action are present in the workplace, however.

Recruitment Practices

The purpose of affirmative action in an organization's recruitment practices is to increase the pool of qualified candidates from diverse groups. Employers accomplish this through broadening their advertising reach and via outreach programs designed to attract women and minorities. Outreach efforts include sponsoring job fairs at business conferences or colleges and universities, such as those referred to as HBCUs, or,



historically black colleges and universities. Affirmative action employers may also source candidates from professionals associations, such as the Asian Society of Scientists & Engineers or the National Association of Women Lawyers.

Executive Commitment

Federal affirmative action regulations require that government contractors develop a written affirmative action plan. In addition to an affirmative action plan document, the company's CEO or highest-ranking executive almost must demonstrate her support for equal employment opportunities in a written statement. Many companies prepare a written policy statement that affirms the organization's commitment to fair employment practices, building diversity within its ranks and the company's affirmative action plan. A copy of the written statement is posted throughout the workplace and enclosed in application packets for people interested in jobs.

Applicant Flow Information

An applicant flowchart is an example of affirmative action in the workplace. Work on an applicant log or flowchart occurs behind the scenes within the human resources department. An applicant log reveals the race, sex, ethnicity or national origin, and veteran or disability status age of people who apply for jobs with the company. This information isn't used to make hiring decisions; it's filed and maintained separately from other employment records. An applicant log may also contain the recruitment source or where the applicant learned of open positions. Companies that are required to have written affirmative action plans must be able to produce copies of their applicant flow log upon require by the Department of Labor's Office of Contract Compliance Programs.

As per the ethics definition, ethics are a general set of rules that are important to be followed to be a part of the society. Moreover it guides one to live in a right way in the society. These certain rules are common worldwide. These ethical principles are inherited as well as these are learned by the individual from his family's ways of living. Every single individual possess the same ethics and ethical behaviour in different ways as the culture from which they are born and brought up are different.

Whenever we talk about the behaviour of a person one of the most important thing is ethics, whether the person reflects his ethics at home or office or in a professional environment, he should live with setting some set of rules, which make him acceptable in the society. There are some important ethical terms which matters the most in a professional environment. Let us see those elements:

1. Values: The values of a person can be defined as the acts and actions which we make in our daily life. The true values of a person are devotion, respect, hard work and love. These acts of values make a person more valuable. These values tell more about a person's behavior and responsive qualities which he can posses during work.



2. Morals: Morals are the certain duties which he needs to do for the betterment of the society. Moreover, these are certain duties which make the society work in a synchronized manner. These morals apply to every single human being of the society and they can't be judged in a specific manner, because the things in moral are either right or wrong.

3. Integrity: Integrity means to be always honest and sincere under any circumstances. When any individual shows integrity in a professional environment and his work, it means that the person can be trusted as well as he is a honest man to rely on. The person who is honest and sincere always sustains for a longer duration in the company as compared to others.

4. Character: Character is one of the most important ethics which in short describes a person. It tells about your behavior towards others and your reactions towards the different situations. A bad thinking mind can destroy your character and a positive and healthy mind always keep you with a good character.

5. Laws: These are certain rules and regulation fixed by you yourself. These rules define you and put a limit to events that are dangerous for your life style. A man with rules always shapes up in the laws of the company and work accordingly in the best way possible, and a man with no rules always lands up in troubles. These laws give us the ability to differentiate between right and wrong.

6. Dedication: This is also a person defining ethic. The stronger dedication in work, the greater the output and results. Dedication in work makes a man stronger for tough situations and he also becomes a key player in motivating the others during the hard times.

7. Accountability of responsibility: The more a person is responsible in nature, the more efficiently and responsibly he will do the given task. Responsibility towards everything such as parents, family, society, nature, works, office, etc are certain things which not only should be kept in mind but also these must be followed by every human being for a healthier environment.

These were the 7 ethical principals which matters the most in a professional environment and these ethics must be present in every human being so that he leads towards a successful and healthier life. The ethical behaviour in the workplace helps us to remain healthy. Yes healthy, but healthy not only means to remain healthy physically but it gives you the mental peace of mind.



2.2 IMPORTANCE OF ETHICAL BEHAVIOUR AT THE WORK PLACE

Our actions affect not only ourselves, but also those around us. Many of our professional decisions involve ethics. If we tell a lie, we can lose someone's trust and undermine our own integrity. If we use shoddy materials or workmanship on the job, we can jeopardize the safety of others.

Questions of morality and ethics can be found at all levels of society. Ethical behaviour is equally important in the workplace as it is in our personal lives. Everywhere business is conducted, ethics matters.

A successful business depends on the trust of various parties—employees, managers, executives, customers, suppliers, and even competitors. Six ethical terms form the foundation of trust upon which ethical business practice is built:

- Ethics
- Values
- Morals
- Integrity
- Character
- Laws

Ethics

Ethics refers to a set of rules that describes acceptable conduct in society. Ethics serve as a guide to moral daily living and helps us judge whether our behavior can be justified.

Ethics refers to society's sense of the right way of living our daily lives. It does this by establishing rules, principles, and values on which we can base our conduct. The concepts most directly associated with ethics are truth, honesty, fairness, and equity.

While ethics is a societal concern, it is of critical importance to the professions that serve society. Because professionals such as physicians, attorneys, engineers, and property and facility managers provide services that affect our welfare, they develop professional codes of ethics that establish professional standards for behavior.

Examples of the types of standards found in professional codes of ethics include:

- An attorney or physician maintaining client-patient confidentiality
- An accountant not using client information for personal gain



Values

Values are defined as the acts, customs, and institutions that a group of people regard in a favorable way. Statements of value typically contain words of approval, disapproval, and obligation. Some of these words might be good, bad, should, and should not. However, value judgments do not have to contain specific value words. “That is a lie” does not contain a particular word of disapproval, but the implication that a lie is wrong is understood.

Values are what really matter to us most—what we care about. For instance, family devotion, respect for the environment, and working hard for a day’s pay are three values that can evoke a response in many people.

Morals

Morals are a set of rules or mode of conduct on which society is based. Certain moral elements are universal, such as the laws forbidding homicide and the basic duties of doing good and furthering the well-being of others. With morals serving as the underpinning of society, there are four points we should remember, says philosopher Robert C. Solomon.

- *Moral rules are important:* In general, moral rules are rules that help society function in a civilized way.
- *Morality consists of universal rules:* They apply to everyone, everywhere, and are recognized by everyone as being necessary.
- *Morals are objective:* They do not consider personal preferences. Right is right and wrong is wrong.
- *Morality affects other people:* Morality involves considering the well-being of others as reflected by the Golden Rule: Do unto others as you would have them do unto you.

Integrity

To have integrity is to be honest and sincere. Integrity is defined as adhering to a moral code in daily decision making. When people and businesses possess integrity, it means they can be trusted. On the other hand, companies that lack this quality and mislead customers with inferior products or false advertising will suffer the consequences.

Character

Ethics is not just how we think and act. It is also about character. Character drives what we do when no one is looking. Each person has the ability to build, change, or even destroy his or her own character. We can build our character through the way we live—



by thinking good thoughts and performing good acts. Similarly, bad thoughts and behavior can destroy our character.

A person with character has high morals and will act morally in all situations by choice, not force. A person with character will honor his or her commitments. Character pertains to organizations, as well. A company with high character is worthy of trust and respect, acts honestly, and stands by its promises.

Laws

The law is a series of rules and regulations designed to express the needs of the people. Laws protect people from the most blatant and despicable affront to morality, such as murder, rape, and theft.

Laws frequently provide us with a sense of right and wrong and guide our behavior, but not always. While murder is against the law, the law does not always stop someone from killing another out of hatred, anger, or in defense of a personal philosophy.

Laws are instituted as notions of justice and tend to be specific, yet diverse within different societies. Laws have always had a strong connection to morality, ethics, and values. But, not all laws are ethical.

Laws have legalized slavery, segregation, sexism, and apartheid. Although these laws might have reflected society's values at the time they were enacted, they could not nor will they ever justify immoral behavior. Likewise in business, it is not unlawful to lie to a coworker or on a job application, but both are ethically wrong.

These six concepts—ethics, values, morals, integrity, character, and laws—form the foundation of trust upon which ethical business practice is built.

Professional Codes of Ethics

Many professions and corporations have developed codes of ethics to address their unique business situations. In fact, 90 percent of Fortune 500 companies and nearly half of all corporations have codes of ethics that can be applied to all employees. By developing a code of ethics, an organization makes it clear that employees and members cannot claim ignorance as a defense for unethical conduct.

Benefits of a Corporate Code of Ethics

Codes of ethics help employees strike a balance between the ends and the means used to obtain them. This balance may be one of the most challenging aspects of being an ethical organization.



The Federal Sentencing Guidelines for Organizations provide an additional incentive for having corporate codes of ethics and ethics training. Companies that have made a bona fide effort to prevent unethical and illegal behavior are likely to receive less severe punishment should an employee be found guilty of breaking the law. The unethical conduct of just a few employees can affect an entire corporation.

Benefits of a Professional Code of Ethics

A professional code of ethics sets a standard for which each member of the profession can be expected to meet. It is a promise to act in a manner that protects the public's well-being. A professional code of ethics informs the public what to expect of one's doctor, lawyer, accountant, or property manager. As long as professionals adhere to these standards, the public is willing to have their professional associations create and enforce their ethical codes.

In cases where these codes are repeatedly and grossly violated, the public's likely response is to demand protective legislation. The Sarbanes-Oxley Act of 2002 was enacted in response to such violations and the ensuing public outcry. Most professionals would prefer to police themselves, rather than have an externally imposed set of regulations. That is a major reason why they create codes of ethics in the first place.

Successful Implementation of a Code of Ethics

Within a corporation, top-down support is critical. If senior management does not act ethically and support others who do, an organization's ethical code will have little meaning. It is critical for managers and executives to:

- act consistently with the company's ethical standards
- apply those standards in dealing with employees

Acknowledging and rewarding those whose behaviors are consistent with a company's code of ethics proclaim to all that ethical behavior is truly valued. On the other hand, promoting and providing bonuses to employees whose successes are due in part to unethical behavior sends an unwanted message.

Remaining ethical is not a static issue. It requires review and evaluation. Companies need to periodically review their priorities and make necessary adjustments. Otherwise, their standards and training become outdated.

Workplace ethics ensures positive ambience at the workplace. Workplace ethics leads to happy and satisfied employees who enjoy coming to work rather than treating it as a mere source of burden. Employees also develop a feeling of loyalty and attachment towards the organization.



Organizations need to have fool-proof systems to measure the performances of individuals. Appraisal system needs to be designed keeping in mind employee's performance throughout the year and his/her career growth. Periodic reviews are essential. It is mandatory for superiors to know what their subordinates are up to. You need to know who all are going on the right track and who all need that extra push. **Workplace ethics ensures management guides and mentors their employees well.** Appraisal and salary hikes should not happen just for the name sake. Workplace ethics is important as it enables management to treat all employees as equal and think from their perspective as well. Employees must have a say in their appraisal system. Transparency is essential.

An employee is bound to move on after a year or so if he/she is not appreciated and rewarded suitably. It is indeed the organization's loss when employees after being trained quit and move on. Do you think it is entirely the employee's fault? Why would an employee move on if he/she is fully satisfied with his /her current assignment? Employees change primarily because of two reasons - Career growth and monetary benefits. Management needs to make employees feel secure about their job and career. Unnecessary favouritism is against workplace ethics. If you favour anyone just because he is your relative, the other team members are bound to feel de-motivated and thus start looking for new opportunities. An individual's output throughout the year should decide his/her increment.

Organizations need to stand by their employees even at the times of crisis. You cannot ask your employees to go just because you don't need them anymore or your work is over. Such a practice is unethical. How can you play with someone's career? If an individual has performed well all through but fails to deliver once or twice, you just can't kick him out of the system. Workplace ethics says that organizations need to retain and nurture talents. If you have hired someone, it becomes your responsibility to train the individual, make him/her aware of the key responsibility areas, policies, rules and regulations and code of conduct of the organization. Employees need to be inducted well into the system. They must be aware of the organization's policies from the very first day itself.

Workplace ethics also go a long way in strengthening the bond among employees and most importantly their superiors. Employees tend to lie if you do not allow them to take leaves. If you do not allow an employee to take leave on an important festival, what do you expect the employee to do? What is the alternative left with him? He would definitely lie. Do not exploit your employees and don't treat them as machines. No employee can work at a stretch without taking a break. It is okay if they talk to their fellow workers once in a while or go out for a smoke break. Understand their problems as well. If you feel the problem is genuine, do not create an issue. It is but natural that once or twice they would definitely call their family members and enquire about their well-being. Superiors should not have a problem with that.



It has been observed that organizations which are impartial to employees, lend a sympathetic ear to their grievances and are employee friendly seldom face the problems of unsatisfied employees and high attrition rate.

Ethics are the principles and values an individual uses to govern his activities and decisions. In an organization, a code of ethics is a set of principles that guide the organization in its programs, policies and decisions for the business. The ethical philosophy an organization uses to conduct business can affect the reputation, productivity and bottom line of the business.

Leadership Ethics

The ethics that leaders in an organization use to manage employees may have an effect on the morale and loyalty of workers. The code of ethics leaders use determines discipline procedures and the acceptable behavior for all workers in an organization. When leaders have high ethical standards, it encourages workers in the organization to meet that same level. Ethical leadership also enhances the company's reputation in the financial market and community. A solid reputation for ethics and integrity in the community may improve the company's business.

Employee Ethics

Ethical behavior among workers in an organization ensures that employees complete work with honesty and integrity. Employees who use ethics to guide their behavior adhere to employee policies and rules while striving to meet the goals of the organization. Ethical employees also meet standards for quality in their work, which can enhance the company's reputation for quality products and service.

Ethical Organizational Culture

Leaders and employees adhering to a code of ethics create an ethical organizational culture. The leaders of a business may create an ethical culture by exhibiting the type of behavior they'd like to see in employees. The organization can reinforce ethical behavior by rewarding employees who exhibit the values and integrity that coincides with the company code of ethics and disciplining those who make the wrong choices.

Benefits to the Organization

A positive and healthy corporate culture improves the morale among workers in the organization, which may increase productivity and employee retention; this, in turn, has financial benefits for the organization. Higher levels of productivity improve the efficiency in the company, while increasing employee retention reduces the cost of replacing employees.



2.3 BENEFITS OF MANAGING ETHICS AT THE WORKPLACE

Many people are used to reading or hearing of the moral benefits of attention to business ethics. However, there are other types of benefits, as well. The following list describes various types of benefits from managing ethics in the workplace.

1. Attention to business ethics has substantially improved society.

A matter of decades ago, children in our country worked 16-hour days. Workers' limbs were torn off and disabled workers were condemned to poverty and often to starvation. Trusts controlled some markets to the extent that prices were fixed and small businesses choked out. Price fixing crippled normal market forces. Employees were terminated based on personalities. Influence was applied through intimidation and harassment. Then society reacted and demanded that businesses place high value on fairness and equal rights. Anti-trust laws were instituted. Government agencies were established. Unions were organized. Laws and regulations were established.

2. Ethics programmes help maintain a moral course in turbulent times.

Attention to business ethics is critical during times of fundamental change — times much like those faced now by businesses, both nonprofit and for-profit. During times of change, there is often no clear moral compass to guide leaders through complex conflicts about what is right or wrong. Continuing attention to ethics in the workplace sensitizes leaders and staff to how they want to act — consistently.

3. Ethics programmes cultivate strong teamwork and productivity.

Ethics programs align employee behaviors with those top priority ethical values preferred by leaders of the organization. Usually, an organization finds surprising disparity between its preferred values and the values actually reflected by behaviors in the workplace. Ongoing attention and dialogue regarding values in the workplace builds openness, integrity and community — critical ingredients of strong teams in the workplace. Employees feel strong alignment between their values and those of the organization. They react with strong motivation and performance.

4. Ethics programmes support employee growth and meaning.

Attention to ethics in the workplace helps employees face reality, both good and bad — in the organization and themselves. Employees feel full confidence they can admit and deal with whatever comes their way. Bennett, in his article “Unethical Behavior, Stress Appear Linked” (Wall Street Journal, April 11, 1991, p. B1), explained that a consulting company tested a range of executives and managers. Their most striking finding: the more emotionally healthy executives, as measured on a battery of tests, the more likely they were to score high on ethics tests.



5. Ethics programmes are an insurance policy — they help ensure that policies are legal.

There are an increasing number of lawsuits in regard to personnel matters and to effects of an organization's services or products on stakeholders. As mentioned earlier in this document, ethical principles are often state-of-the-art legal matters. These principles are often applied to current, major ethical issues to become legislation. Attention to ethics ensures highly ethical policies and procedures in the workplace. It's far better to incur the cost of mechanisms to ensure ethical practices now than to incur costs of litigation later. A major intent of well-designed personnel policies is to ensure ethical treatment of employees, e.g., in matters of hiring, evaluating, disciplining, firing, etc. Drake and Drake (California Management Review, V16, pp. 107-123) note that "an employer can be subject to suit for breach of contract for failure to comply with any promise it made, so the gap between stated corporate culture and actual practice has significant legal, as well as ethical implications."

6. Ethics programmes help avoid criminal acts "of omission" and can lower fines.

Ethics programs tend to detect ethical issues and violations early on so they can be reported or addressed. In some cases, when an organization is aware of an actual or potential violation and does not report it to the appropriate authorities, this can be considered a criminal act, e.g., in business dealings with certain government agencies, such as the Defense Department. The recent Federal Sentencing Guidelines specify major penalties for various types of major ethics violations. However, the guidelines potentially lower fines if an organization has clearly made an effort to operate ethically.

7. Ethics programmes help manage values associated with quality management, strategic planning and diversity management — this benefit needs far more attention.

Ethics programmes identify preferred values and ensuring organizational behaviours are aligned with those values. This effort includes recording the values, developing policies and procedures to align behaviours with preferred values, and then training all personnel about the policies and procedures. This overall effort is very useful for several other programmes in the workplace that require behaviours to be aligned with values, including quality management, strategic planning and diversity management. Total Quality Management includes high priority on certain operating values, e.g., trust among stakeholders, performance, reliability, measurement, and feedback. Eastman and Polaroid use ethics tools in their quality programs to ensure integrity in their relationships with stakeholders. Ethics management techniques are highly useful for managing strategic values, e.g., expand market share, reduce costs, etc. McDonnell Douglas integrates their ethics programmes into their strategic planning process. Ethics management programmes are also useful in managing diversity. Diversity is much more than the color of people's skin — it's acknowledging different values and perspectives.



Diversity programs require recognizing and applying diverse values and perspectives — these activities are the basis of a sound ethics management programme.

8. Ethics programmes promote a strong public image.

Attention to ethics is also strong public relations — admittedly, managing ethics should not be done primarily for reasons of public relations. But, frankly, the fact that an organization regularly gives attention to its ethics can portray a strong positive to the public. People see those organizations as valuing people more than profit, as striving to operate with the utmost of integrity and honor. Aligning behavior with values is critical to effective marketing and public relations programs. Consider how Johnson and Johnson handled the Tylenol crisis versus how Exxon handled the oil spill in Alaska. Bob Dunn, President and CEO of San Francisco-based Business for Social Responsibility, puts it best: “Ethical values, consistently applied, are the cornerstones in building a commercially successful and socially responsible business.”

9. Overall benefits of ethics programmes:

Donaldson and Davis, in “Business Ethics? Yes, But What Can it Do for the Bottom Line?” (Management Decision, V28, N6, 1990) explain that managing ethical values in the workplace legitimizes managerial actions, strengthens the coherence and balance of the organization’s culture, improves trust in relationships between individuals and groups, supports greater consistency in standards and qualities of products, and cultivates greater sensitivity to the impact of the enterprise’s values and messages.

10. Last – and most — formal attention to ethics in the workplace is the right thing to do.

Advantages of Ethical Behaviour in Business

Ethical people are those who recognize the difference between right and wrong and consistently strive to set an example of good conduct. In a business setting, being ethical means applying principles of honesty and fairness to relationships with coworkers and customers. Ethical individuals make an effort to treat everyone with whom they come in contact as they would want to be treated themselves.

Build Customer Loyalty

Consumers may let a company take advantage of them once, but if they believe they have been treated unfairly, such as by being overcharged, they will not be repeat customers. Having a loyal customer base is one of the keys to long-range business success because serving an existing customer doesn’t involve marketing cost, as does acquiring a new one. A company’s reputation for ethical behavior can help it create a more positive image in the marketplace, which can bring in new customers through word-of-mouth referrals. Conversely, a reputation for unethical dealings hurts the company’s chances to obtain new customers, particularly in this age of social



networking when dissatisfied customers can quickly disseminate information about the negative experience they had.

Retain Good Employees

Talented individuals at all levels of an organization want to be compensated fairly for their work and dedication. They want career advancement within the organization to be based on the quality of the work they do and not on favoritism. They want to be part of a company whose management team tells them the truth about what is going on, such as when layoffs or reorganizations are being contemplated. Companies who are fair and open in their dealings with employees have a better chance of retaining the most talented people. Employees who do not believe the compensation methodology is fair are often not as dedicated to their jobs as they could be.

Positive Work Environment

Employees have a responsibility to be ethical from the moment they have their first job interview. They must be honest about their capabilities and experience. Ethical employees are perceived as team players rather than as individuals just out for themselves. They develop positive relationships with coworkers. Their supervisors trust them with confidential information and they are often given more autonomy as a result. Employees who are caught in lies by their supervisors damage their chances of advancement within the organization and may risk being fired. An extreme case of poor ethics is employee theft. In some industries, this can cost the business a significant amount of money, such as restaurants whose employees steal food from the storage locker or freezer.

Avoid Legal Problems

At times, a company's management may be tempted to cut corners in pursuit of profit, such as not fully complying with environmental regulations or labor laws, ignoring worker safety hazards or using substandard materials in their products. The penalties for being caught can be severe, including legal fees and fines or sanctions by governmental agencies. The resulting negative publicity can cause long-range damage to the company's reputation that is even more costly than the legal fees or fines. Companies that maintain the highest ethical standards take the time to train every member of the organization about the conduct that is expected of them.

Benefits of Professional Ethics in Workplace:

The following mentioned are few advantages of ethics in the workplace.

1. Asset Protection and Assurance: When your workers possess an ethical working environment and ethical behavior in the workplace, your company's maintenance cost decreases to a remarkable extent because they are well aware of their duties and responsibilities towards the company. They also realize that they should not do any



damage to any of the machines and equipments given to them as they are very valuable for the company and doing damage to these things will be a wrong act, so automatically things will be taken care of and everything will work systematically.

2. Productivity will increase: When the work staff and the workers value the work given to them and then they will do all the given work in time and achieve their set targets, this will greatly affect the sales and the productivity of the company. Due to this it is assured that you will have a group of people who will sail your business even in the worst of the downfall of the market, and keep the growth of the company and business consistent.

3. Team Work will develop: When all the workers does their jobs in a responsible way, then a time comes when they have achieved the target way before the given deadline, then a question arises What Next? So the situation automatically bonds up all the individuals into a team. These individual now work as a team and work in the benefit of the company for which they will be getting or achieving their incentives. This mutual understanding of the employees is a positive signal that the company will sustain for a very long period in the variable market conditions.

4. Public Image and Brand Value Increases: Yes if all the members of the company are dedicated to work as well as figure out there values and responsibility towards the environment, then it is for sure that the type of cleanliness and the disposal of the waste product of the company will be unbeatable in the market, hence resulting in attracting a bigger customer base due to the clean and quality of the services or products. More over increase in the public image and increase in the customer base is directly proportional to increase in the brand value. In simpler words when you gain popularity amongst your customers you start to develop your company into a brand.

5. Adaptive to changes: Workers with professional ethics in the workplace is definitely the master key to the lock of success. The team of understanding, trust worthy, reliable, motivate, concern and responsible people will defiantly adapt themselves into any kind of position and work they are filled with.

More over in general, it has been seen worldwide that in the digressive market conditions, if the company asks for any changes in the production or changes in the kind of work then the workers oppose. In some situations the company is left empty handed falling short of workers as they leave the company due to changes, but things are just opposite when you have a trustworthy and responsible bunch of people as they themselves demand for changes according to the companies situation and let the company run even in the hard market situations.



6. Decision making and implementing is always easy: Whenever there is a need to take a big decision then the best one made is by the advice of the employees of the company, and what will be better than every single employ respecting the decision and supporting the company to go ahead with their decision. This is the power of ethics in the employers who respect the decision of the company and let it go along with the flow. This is very rare in the big companies but where this scene happens; the company turns big brands over the night.

7. Trouble free working environment: Generally where everyone is unknown and more over no one wants to know each other there are higher chances of great trouble and where there is a friendly, respectful and understanding environment between the employees there are fewer chances of least troubles from the employees end. If in case, a situation arises where there is some little misunderstanding between the employees, it gets solved with in them due to better and strong understanding between all the employees. Even the management does not have to bother about those small little things as they know that the employees will take better care of themselves.

8. There is no one left negative: When people are detached from one another and someone gets negative regarding the companies work then it has been seen that from that single negative employee many are affected. Thus there is a sudden decline in the working of the employees, but when everything is good to go and everyone is concerned about one another then things become systematic and in case if someone gets negative, the positive and supportive environment works as a boost up for the person and again he/she starts working to their best.

9. Less Legal Issues: When everything is systematic and functional and in addition your workers are cooperative and understanding then you won't be facing any problems or legal obligations from the employees end, because all the workers are treated equally and all are well known with their duties which the job requires from them. When everything is managed and systematic then all the paper work and the legal formalities are the primary thing which is considered the most, so there is no question of any legal issues.

10. The company will Touch New level of Success: When everything is so managed and systematic along with the understanding of the employees because of their strong ethics, the company will surely touch new heights of success and even the growth of your business will be assured. When your employees become expert in their respective works and respective fields, then their dedication and will to do the work will show true colors and give more fruitful results.

So, these were some of the importance of ethics in a professional environment. Truly ethics plays a vital role in a person's life, it decides all the characteristics that you will



possess under different circumstances, more over all the emotions, vision of your life, way of living, struggle, happiness, desires are greatly influenced by the type of ethics you have learned from, which more over makes you a part of a society and people judge you from the ethics you possess in the society.

The more you take a hold on your ethics, the more stable and perfect you will become in your lifestyle. Ethic not only improves the way of our living but it also sets up a defined path which we can follow by following our ethics, and which will be finally leading you towards a final destination. The more you improve and travel on the perfect path, the more successful your achievements will be.

2.4 PROMOTING ETHICAL CONDUCT AT THE WORKPLACE

It is important for staffers to focus on accomplishing key company goals and developing good working relationships in the office, but it is equally important to ensure ethical conduct among employees. Ethical conduct ensures that your business maintains a reputation for sound professional principles and values that are directly in line with the company mission. There are a few different ways that you can promote ethical conduct among your staff.

Train Employees

You can't expect your staff to act ethically in accordance with your company's code of ethics if they don't know what that code is or why it's important. Hold regular sessions on ethics and how to approach ethical dilemmas among staff. The more training and resources you provide, and the greater emphasis you place on being ethical and acting accordingly, the more your staff understands exactly what you expect in the office.

Reward Ethical Behaviour

Far too often, companies simply expect ethical behaviour; however, if you want to promote this as a prominent behaviour among staff, then you need to show and prove, so to speak. Provide rewards for solid ethical behaviour; for example, if you have an employee that goes above and beyond to put her personal interests aside to always do what is best for her clients, that is considered ethical behaviour and she should be rewarded and held up as an example for others to strive to do the same. The more you reward employees for sound ethical decisions, the more likely the masses will follow suit.

Lead by Example

Expect more of your management team; employees generally follow company examples set forth for them by management employees. Hold your managers to a higher ethical standard so that they are credible when they communicate expectations to their staffers to do the same. Challenge management staff to hold regular discussions with employees to work through potential ethical issues that may come up and find ways to brainstorm



through them as a team. If everyone is on the same page, it is more likely that the team as a whole will adopt the same types of ethical behaviours.

Consider Work-Life Balance

According to the Accounting Web website, a 2007 Ethics and Workplace survey by Deloitte & Touche states that 91 percent of employees surveyed said they are most likely to make good ethical decisions at work when they have a better sense of work-life balance. Pay attention to signs of burnout or discontent among staff, and take steps to address these types of issues when they present themselves.

A good manager will tell you that marketing, product placement and budgeting all take careful planning, not random or unorganized effort. Many managers however, forget that motivating ethical behavior in a workplace takes careful planning as well. Ethical employees make for an ethical company, which will receive many benefits from its good reputation. Not only does it attract more customers, an ethical company will also be able to entice and retain a more skilled workforce.

1. Analyze your current work environment and the existing company values, mission, goals and ethical policies. Note any misleading wording or failure to communicate company initiatives to each employee, including new hires.
2. Solicit the input of each employee about any ethical issues she feels she faces or that others may face. Your employee will be more likely to adhere to a policy she helped create in some way. She is also likely to be pleased that you are concerned about an ethical work environment because ethical companies are better able to care for the needs of their employees.
3. Gain the support of top management to reword any unclear goals and to add or develop an ethics program in your company based on the feedback you get from your workforce and your own careful research into common ethical issues in your industry. Study other organizations as examples.
4. Provide ethics training in the form of employees responding to hypothetical situations that may arise or scenarios you know take place in other companies. Many employees don't understand which activities are unethical because certain practices become standard in workplace and get ingrained in the culture. Employees will be empowered to make better decisions when ample training is provided.
5. Clearly define the repercussions for wrongdoing. Not only should they be explained during ethics training and employee evaluations, but these policies should clearly be posted on the company's intranet or in the break room. Employees should all sign off on the ethics policy; workers are more inclined to follow something if the punishment for not doing so is effectively explained.
6. Provide a hotline or other anonymous reporting system that will help employees communicate breaches of your ethics plan. An employee is more likely to say something if he knows there is an established, easy way for him to report something. An



employee is also more likely to adhere to behavior policies when he knows any other worker can report him if he doesn't.

7. Provide encouragement and protection to any employee who comes forth to report wrongdoing in person. Workers may have a tendency to look down on employees who "tell on" coworkers, however, the accurate, well-intentioned reporting of unethical behavior should be supported.

8. Set up ongoing workshops and mandatory meetings that discuss emerging ethics issues. Not only should leaders train workers about new problems, managers should also solicit continual feedback and ideas from the workforce. Your work environment can change without a moment's notice so it is important for employees to be able to communicate these changes as well as get up-to-date information on how to behave. A worker can only follow the policies she knows and she will be more motivated if she has a clear understanding of the company's wishes.

What can management do to ingrain a stronger standard of ethics within employees, especially those who have come to accept ethical lapses as a natural way of life? Salzberg offers a few suggestions:

- **"Research shows that when employees face a moral dilemma, they often look to their peers for guidance."** That means instilling a strong corporate culture of ethical behavior, and consistently demonstrating that there are serious consequences to breaking that code.
- **"Make sure that every employee feels connected to the organization..."** If your employees feel a strong attachment to your company -- developed through a culture of respect and recognition -- they will be less likely to cheat in both small and big ways.
- "If the message portrayed in the media is that everyone cheats and all business people are greedy capitalists out for themselves, then we must counter that with strong cultural messages of our own: **Anyone who cheats gets fired.** Period."

2.5 ETHICAL WORKPLACE CULTURE

Ethics is about behaviour. In the face of dilemma, it is about doing the right thing. Ethical managerial leaders and their people take the "right" and "good" path when they come to the ethical choice points.

The purpose of this article is to steer your thinking and action toward creating and sustaining an ethical workplace culture. Managerial leaders and their people are invited to explore how values, actions, and behavioral standards can help steer organizational behaviour.

Values Drive Behaviour



A well-used axiom in organizational behaviour thought asserts that *values* ultimately drive our *behaviour*. In a nutshell, values exert influence over our attitudes, and attitudes influence our behaviour. Values are integral to attitude formation and to how we respond to people and situations. Extensive literature dealing with how values relate to effective managerial leadership. A review of this body of work leaves us with the clear picture that values are a key component of effective managerial leadership.

There seems to be a subset of virtuous values that align with ethical behaviour. In his book, *Authentic Happiness*, Martin Seligman has reviewed these core virtuous values that influence ethical behavior and appear to have universal appeal. My adaptation of these values as they apply to ethics follows:

- **Wisdom and Knowledge:** The capacity to take information and convert it to something useful. Wisdom comes from capitalizing on one's experience to interpret information in a knowledgeable manner to produce wise decisions. A prerequisite to doing the right thing when facing an ethical dilemma knows what to do, knowing the difference between right and wrong.
- **Self Control:** The ability to avoid unethical temptations. The capacity to take the ethical path requires a commitment to the value of acting with temperance. Ethical people say "no" to individual gain if it is inconsistent with institutional benefit and goodwill.
- **Justice and Fair Guidance:** The fair treatment of people. Justice is served when individuals perceive that they receive a fair return for the energy and effort expended. For example, a leader's commitment to justice is tested continually with the allocation of organizational resources. Are certain individuals and groups given special treatment without regard to objective criteria by which to judge fairness? Ethical leaders value and embrace fair advice and guidance.
- **Transcendence:** The recognition that there is something beyond oneself more permanent and powerful than the individual. Without this value, one may tend toward self-absorption. Leaders who are motivated predominately by self-interest and the exercise of personal power have restricted effectiveness and authenticity.
- **Love and Kindness:** The expression through words and deeds of love and kindness. Researchers have documented that there appear to be different types of "love." In an organizational context, love refers to an intense positive reaction to another co-worker, group and/or situation. An organization "with heart" allows for the expression of love, compassion and kindness among and between people, the goodwill which can be drawn upon when one faces ethical challenges.
- **Courage and Integrity:** The courage to act ethically and with integrity. These values involve discerning right from wrong and acting accordingly. They impel one to consistently do what is right without concern for personal consequences, even when it is not easy.

In practice, these six categories of virtuous values are intertwined. For example, the capacity to administer resources fairly and offer fair guidance to stakeholders along the way is supported by courage and integrity. Difficult decisions surrounding the allocation of limited resources leave some individuals and groups with less than they would prefer.



The redeeming grace is the perception that such decisions are made with fairness and integrity. Unpopular decisions are easier to accept when they are perceived to be derived fairly and with integrity.

Driving ethical behaviour with values and attitudes requires that there be alignment among values, attitudes, and behavior. Examples of this alignment between each of the virtuous values, associated attitudes, and behavior are offered in Table 1.

Table 1: Values —> Attitude —> Ethical Behaviour Chain

<u>Value</u>	<u>Attitude</u>	<u>Ethical Behaviour</u>
Wisdom and Knowledge	Experience promotes wisdom that helps convert information to knowledge.	Using knowledge to solve problems ethically and to do what is right.
Self-Control	Self-control means effectively managing reactions to challenging situations and temptations.	Putting personal motivations aside and acting with objectivity by doing what is right.
Justice	Acting justly and fairly is a long-term driver of ethical behavior; remember the “Golden Rule.”	Establishing just and mutually agreed upon criteria and administering them fairly to all people.
Transcendence	The belief in a power and source outside oneself reduces self-serving actions and increases humility.	Putting institutional and/or stakeholder interests above self interests. Identifying a personal purpose that is aligned with organizational mission.
Love and Kindness	Treating people with kindness helps increase the reservoir of positive affection and love.	Recognizing and encouraging others for their contributions.
Courage and Integrity	Ethics requires the courage to do the right things consistently without regard to personal consequences.	Making unpopular decisions based on fair consideration of the facts.

Putting Virtuous Values into Practice

“What can managerial leaders do on a proactive basis to encourage ethical behaviour? At least five practices help leaders steer their organizations toward ethical conduct.



First, any gap between knowledge about what to do and actual actions needs to be closed. If you know what is the right thing to do, just do it. Unfortunately, too often “white collar” criminals will tell us that they knew what was right, yet they failed to do it. John Maxwell, in his recent book “There’s No Such Thing as Business Ethics,” explains various reasons for ethical transgressions, including that people just rationalize their choices with relativism. While the reasons for the transgressor’s actions are varied and complex, the simple truth is that they failed to “do the right thing” in spite of their knowledge. They did not act with wisdom.

Second, managerial leaders must be very deliberate about who joins their organization. Many organizational leaders believe that selecting people for their values is as important as selecting for skill sets. Jim Collins, in his compelling book *Good to Great: Why Some Companies Make the Leap . . . and others don’t*, underscores how long-term success depends on putting the right people in place. Larry Bossidy, as CEO of Allied Signal, made people selection a top priority and considered it a key task of top management. Selecting people who share your virtuous values is critical to building an ethical culture and long-term business success.

Third, new personnel need to be socialized into the organization so as to advance virtuous values. As an executive, I regularly attended new employee orientations to espouse the organization’s values. As a way of promoting and influencing ethical behavior, it is very powerful for new employees to hear managerial leaders espouse core virtuous values and to see those values affirmed through the actions of others in the organization.

Fourth, accountability and follow-up are critical in putting virtuous values into practice. Systems and procedures can remind people of commitments and help connect words or promises with deeds. In organizations with behavioral integrity, words and deeds count. When virtuous values are driving behavior, the alignment of words and deeds serves to advance the creation of an ethical work culture.

Finally, managerial leaders can positively impact the practice of ethical behavior by fairly allocating organizational resources and linking them appropriately. All managerial leaders have five key resources to manage: people, money, capital assets, information, and time. Allocation of these resources and the process managers use to accomplish such distribution can create perceptions of equity and fairness, or inequity and unfairness. Managerial leaders who value justice and fairness are more likely to deal the cards fairly — thereby modeling ethical behavior — than are those who do not.

Behavioural Standards and Codes of Conduct: The Safety Net

Ideally, managerial leaders and their people will act ethically as a result of their internalized virtuous core values. I like to think of this as ethics from the “inside out.” Relying solely on this “inside out” approach, however, is simply naïve in many circumstances.



Established behavioural standards and written codes of ethical conduct can help bolster virtuous values and promote ethical organizational behavior. Behavioural standards usually incorporate specific guidelines for acting within specific functional workplace areas. For example, a sales department may clearly outline criteria for expense reimbursements.

Codes of ethical conduct have received varying degrees of attention over the past three decades. They can be categorized into three types:

Type 1: **Inspirational-Idealistic** codes of conduct specify global themes such as “Be honest,” “Show integrity in all matters,” “Practice wise decision making,” etc. Such themes are not anchored to specific behavior or situations.

Type 2: **Regulatory** codes of conduct proscribe clearly delineated conduct. This type of code is designed to help as a jurisprudential tool when disputes occur. It is more of a “do and don’t” approach.

Type 3: **Educational/Learning-Oriented** codes of conduct offer principles to guide decision making and behavioural reactions into likely situations. This approach is compatible with building a learning organizational culture. For example, the principle and value of fairness might be applied to allocating a bonus pool. Managerial leaders responsible for this process could be engaged in scenarios wherein they would be asked to take “fair action” in making these allocations. Such learning experiences can serve to enlighten and inform so as to foster ethical decision making.

Behavioural standards and codes of ethical conduct can help steer ethical behavior by offering a cue or written rule to remind personnel of the right thing to do—an “outside in” process for ethical behavior management. These standards and codes trigger peoples’ internalized values, thus gaining strength through firm yet fairly administered consequences.

The Ethical Behaviour Formula

Taken together, virtuous values, actions, and behavioural standards/codes can produce a “formula,” such as that illustrated below, that may increase the likelihood of ethical organizational behaviour:

Virtuous Values + Aligned Action + Behavioural Standards/Codes → Increased Ethical Behaviour

Consider adapting the six virtuous values and aligning them with key managerial leadership actions such as selection, employee orientation/socialization, and allocation of resources. Behavioural standards and/or codes of ethical conduct can be added as appropriate. Acting on these three formula components may serve to increase the display of ethical organizational behaviour.

Three Good Reasons to Apply the Formula



There are at least three good reasons to practice ethical behaviour in your organization. These reasons may motivate you to adapt the “formula” into your managerial leadership practice repertoire.

- First, it is the right thing to do. Employees and external stakeholders alike want and deserve to be treated ethically. Taken to the extreme, a culture allowing unethical behavior can breed all manner of damaging and even criminal activity.
- Second, it makes economic sense. A mounting body of evidence shows that an emphasis on the softer sides of business, including ethics, positively influences the harder traditional bottom line. By listening to employees, effectively recognizing their work, and practicing good ethical behaviour, managers have given a boost to such hard measures as operating earnings, ROI, and stock price.
- Third, in line with a growing trend to look beyond shareholder value to a broader stakeholder perspective, organizational ethical behaviour becomes the socially responsible thing to do. Just think for a moment about the impact of Enron’s, Tyco’s and World Com’s unethical behaviour on their respective communities, workforces, and other stakeholders.

Importance of Culture in Organizations

Every organization has its own culture. Since many employees spend 40 or more hours at their workplace, their organization’s culture obviously affects both their work lives as well as their personal lives. Organizational culture refers to the beliefs, ideologies, principles and values that the individuals of an organization share. This culture is a determining factor in the success of the organization.

Unity

A shared organizational culture helps to unite employees of different demographics. Many employees within an organization come from different backgrounds, families and traditions and have their own cultures. Having a shared culture at the workplace gives them a sense of unity and understanding towards one another, promoting better communication and less conflict. In addition, a shared organizational culture promotes equality by ensuring no employee is neglected at the workplace and that each is treated equally.

Loyalty

Organizational culture helps to keep employees motivated and loyal to the management of the organization. If employees view themselves as part of their organization’s culture, they are more eager to want to contribute to the entity's success. They feel a higher sense of accomplishment for being a part of an organization they care about and work harder without having to be coerced.



Competition

Healthy competition among employees is one of the results of a shared organizational culture. Employees will strive to perform at their best to earn recognition and appreciation from their superiors. This in turn increases the quality of their work, which helps the organization prosper and flourish.

Direction

Guidelines contribute to organizational culture. They provide employees with a sense of direction and expectations that keep employees on task. Each employee understands what his roles and responsibilities are and how to accomplish tasks prior to established deadlines.

Identity

An organization's culture defines its identity. An entity's way of doing business is perceived by both the individuals who comprise the organization as well as its clients and customers, and it is determined by its culture. The values and beliefs of an organization contribute to the brand image by which it becomes known and respected.

2.6 LET'S SUM UP

Ethics are very important in an organization. Ethics are the principles and values used by an individual to govern his or her actions and decisions. An organization forms when individuals with varied interests and different backgrounds unite on a common platform and work together towards predefined goals and objectives. A code of ethics within an organization is a set of principles that is used to guide the organization in its decisions, programs, and policies. An ethical organizational culture consists of leaders and employees adhering to a code of ethics. Organizational ethics is the [ethics](#) of an [organization](#), and it is how an organization responds to an internal or external stimulus. Organizational ethics is interdependent with the [organizational culture](#). Although, it is akin to both [organizational behavior](#) (OB) and [industrial and organizational psychology](#) as well as [business ethics](#) on the micro and macro levels, organizational ethics is neither OB or I/O psychology, nor is it solely business ethics (which includes corporate governance and [corporate ethics](#)). Organizational ethics express the values of an organization to its employees and/or other entities irrespective of governmental and/or regulatory [laws](#).

Ethical systems design is based on the principle that behavior in organizations must be understood by examining the interaction of many factors and forces; you should *not* start by looking for good and bad people. This is particularly true in business, where leaders, managers, and employees face conflicting incentives, messages, and pressures from multiple stakeholders. If you want to improve ethical behavior within your organization you have to think about many moving parts, take



many different perspectives, and draw on research from many scientific fields. The purpose of Ethical Systems is to help you do that.

For instance, if you want to improve trust and morale within your company, you could change your [hiring practices](#), improve the [fairness](#) of your internal procedures and change some toxic [social contexts](#), while modeling [ethical leadership](#) at the top and supporting it in the middle. If you do all of these things, you'll profoundly change your company's [culture](#) in ways that will make the changes self-sustaining—and ultimately [profitable](#).

2.7 KEY TERMS

Affirmative Actions, Recruitment Practices, Executive Commitment, Values, Morals, Integrity, Dedication, Accountability, Ethical Behaviour, Professional Code of Ethics, Corporate Code of Ethics, Workplace Ethics, Leadership Ethics, Employee Ethics, Ethical Organizational Culture, Ethics Programme, Teamwork, Productivity, Strategic Planning, Customer Loyalty, Ethical Conduct, Work Life Balance.

2.8 SELF-ASSESSMENT QUESTIONS

1. If a group of strangers walked into our organization for the first time and spent the day with us, what would they say is on our cultural canvas? What values would they see in action?
2. What positive ethical values do we make the focal point of our culture?
3. How will we “paint” those values in a lasting way onto the canvas of our culture?

2.9 FURTHER READINGS

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2.10 MODEL QUESTIONS

- Q 1 Is there more unethical behavior in government than in business? Discuss.
- Q 2 How does corrupt behaviour resemble or differ from unethical behaviour?
- Q 3 What are the ways and means to promote ethical conduct at the workplace?
- Q 4 What can managerial leaders do on a proactive basis to encourage ethical behaviour?
- Q 5 What are the benefits of managing ethics at the workplace?



Unit-3

Gender Issues and Employee Rights

Structure

- 3.0 Learning Objectives
- 3.1 Introduction
- 3.2 Gender Issues at the Workplace
- 3.3 Relationship between Ethics, Values and Moral
- 3.4 Leadership Values and Workplace Ethics
- 3.5 Let's Sum Up
- 3.6 Key Terms
- 3.7 Self-Assessment Questions
- 3.8 Further Readings
- 3.9 Model Questions

3.0 LEARNING OBJECTIVES

After going through this Unit, you will be able to:

- understand equality & diversity and how it can affect the workplace
- understand what '*Equality and Diversity*' means
- identify ways that people are different
- show an awareness of personal assumptions and attitudes
- understand differing types of discrimination
- grasp a deeper level of understanding of the gender issues in employment

3.1 INTRODUCTION

Workplace ethics and behaviour are a crucial part of employment, as both are aspects that can assist a company in its efforts to be profitable. In fact, ethics and behaviour are just as important to most companies as performance as high morale and teamwork are two ingredients for success. Every business in every industry has certain guidelines to which its employees must adhere, and frequently outline such aspects in employee



handbooks. Adherence to ethical standards based on the [public sector values](#) and the [Code of Conduct](#) reduces the level of organizational risk and increases performance.

The values and principles help people determine how things ought to be done. They guide work practices, interactions and behaviour within an organization. They are the foundation on which an organization operates and apply across all levels of the organization – from the Secretary or Chief Executive to frontline employees.

The most effective ethics development programs from around the world help employees make sense of organizational values, raise awareness of ethical responsibility and assist employees to develop skills in ethical problem solving.

Setting the Ethical Tone

Senior accountability for the ethics system reassures your employees that ethical issues are taken seriously within the organization. Think about whether your organization has the right:

- Governance arrangements
- Style of supervision
- Role models.

Every organization should appoint a senior executive Corruption Prevention and Integrity Champion to lead and coordinate work within their organization and to share good practice. Making appropriate expectations around integrity front and centre in all performance agreements helps embed high ethical standards throughout the organization.

Planning the Elements of an Ethics System

You will need to assign an ethics officer or an ethics committee to design, implement and maintain the ethics system. Their tasks will include:

- Conducting an ethics audit to identify ethical risks that must be addressed by the ethics system
- Setting up and advising you and the executive team on the design and operation of the ethics system.

Managing the Ethics System Day to Day

The senior accountable officer or committee oversees a system for rewarding and encouraging ethical behaviour and deterring unacceptable behaviour. Their tasks include:



- Monitoring information from surveys, turnover data and other sources
- Informing and involving employees in discussions about the values and principles
- Developing policies and procedures in consultation with employees
- Incorporating the values and principles in induction and other staff development programmes
- Rewarding, recognizing and promoting employees who exemplify the values and principles
- Enabling employees to raise concerns about application of the values and principles.

Developing Ethical Skills

The values and employment principles guide our relationship with the Government, community and each other but what do these mean in practice?

Ethical behaviour means always taking the high road when making decisions. For managers it also means leading when managing yourself and your staff.

There are tips for sustaining an ethical workplace so that ethics become a natural function of your organization. Try these activities:

- Lead your team in discussing a workplace problem in your next team meeting
- Start a discussion about the values and principles the next time you make a major decision
- Read the code of conduct, examine your own behaviour and challenge misconduct in the workplace
- Speak to HR about how you can develop a values-based organization

Put the values and employment principles on display, not only through your behaviour, but also by hanging posters in your foyer, lunch room or workplace.

3.2 GENDER ISSUES AT THE WORKPLACE

Workplace gender equality is achieved when people are able to access and enjoy the same rewards, resources and opportunities regardless of gender.



Australia, along with many countries worldwide, has made significant progress towards gender equality in recent decades, particularly in education, health and female workforce participation.

However, the gender gap in the Australian workforce is still prevalent; women continue to earn less than men, are less likely to advance their careers as far as men, and accumulate less retirement or superannuation savings. At the same time, men have less access to family-friendly policies such as parental leave or flexible working arrangements than women.

The aim of gender equality in the workplace is to achieve broadly equal outcomes for women and men, not necessarily outcomes that are exactly the same for all. To achieve this requires:

- Workplaces to provide equal pay for work of equal or comparable value
- Removal of barriers to the full and equal participation of women in the workforce
- Access to all occupations and industries, including leadership roles, regardless of gender; and
- Elimination of discrimination on the basis of gender, particularly in relation to family and caring responsibilities.

Achieving gender equality is important for workplaces not only because it is 'fair' and 'the right thing to do,' but because it is also linked to a country's overall economic performance. Workplace gender equality is associated with:

- Improved national productivity and economic growth
- Increased organizational performance
- Enhanced ability of companies to attract talent and retain employees
- Enhanced organizational reputation.

Gender differences in the workplace typically stem from social factors, which influence the behaviors of men and women. Some organizations welcome gender diversity and encourage the inclusion of both sexes when making company decisions and offering promotional opportunities. Other organizations discourage gender inclusion and promote bias in the workplace. With most companies, gender differences add value and varying perspectives to an organization.

Description

Gender differences involve both physical and emotional factors. They are essentially the characteristics that influence male and female behavior in the workplace. These influences may stem from psychological factors, such as upbringing, or physical factors, such as an employee's capability to perform job duties. Differences may also stem from gender stereotypes related to men and women. For instance, a stereotypical assessment



is that women belong in the home while men work and provide support. Stereotypes often lead to sex discrimination in the workplace.

Gender Perception

Men and women experience differences in perception in the workplace. According to the book, "Managing in the Age of Change: Essential Skills to Manage Today's Workforce," by Sophie Hahn and Anne Litwin, an employee's gender can illustrate differences in perception related to organizational structure, problem-solving style and view of work-related conflict. Also, differences in individual working style are notable. According to the book, women perceive that individual work styles should be collaborative, where everyone works as part of a whole. Men, on the other hand, perceive that work should be completed independently without the assistance of others. Women also tend to be more supportive managers, whereas men are more direct.

Legal Issues

Many legal issues stem from men and women being treated differently or unfairly in the workplace. Several employment and labor laws govern sex discrimination and prohibit workplace practices that treat a particular sex unfavorably because of gender. For example, the Civil Rights Act prohibits employment discrimination, such as hiring, firing or refusing to promote an employee because of sex or gender. Employers must also provide special accommodations for gender-related issues, such as pregnancy and nursing. Other laws such as the Equal Pay Act ensures men and women receive the equal pay for performing the same job in the same company.

Solutions

Misunderstandings between genders often cause conflict within the workplace. Men and women perceive information differently, which could lead to feelings of exclusion or allegations of harassment or sex discrimination. Managers can combat this problem through training and development initiatives that focus on increased awareness of gender-related issues. Managers can also encourage change in employee behavior to strengthen the working relationship between men and women, and lead by example.

Gender equality is a hot issue. And in a profession such as IT, where [an overwhelming number of workers are male](#), it's easy to overlook gender biases. When these biases occur, the workplace can become tense and lawsuits can follow. But lawsuits aside, one must remember this: Gender bias is a form of prejudice and discrimination and it has no place in business. With that said, when you're a part of a mostly male-dominated profession, how do you spot those biases so they can be addressed? Although it shouldn't be too much of a challenge, it's surprising how often these things go unnoticed.

Let's take a look at 10 kinds of gender bias you might encounter in the workplace and what you can do to prevent them. These occurrences range from the simple to the



complex, and with the complex, you may not find the solution here. But getting the dialog started is often half the battle.

1: Unequal pay

This one is obvious, but it's a challenge to solve. Why? Because the issue of pay equity between genders goes all the way up the flagpole to [the United States government](#). In fact, this is often a hot button issue during political debates. The good news is you don't have to be a part of the issue. If you hire engineers and/or administrators, make sure you base their pay not on gender, but on performance and experience. The moment you allow gender to play a part in pay, you become part of the problem.

2: Interview questions

This is a subtle one. Ask yourself one simple question: Do you interview men and women differently? Do you ask women questions like "Do you have children?" or "Do you plan on having children?" Both of those inquiries have zero business in an interview. Questions about family and family life should be out of bounds—and [in some cases, they're illegal](#). Whether a woman has or plans to have children does not affect her skills any more than it does a man's. Once hired, if the issue of childbirth comes up, deal with it in the moment. Do not predicate the hiring or firing of potential employees on the idea that they may require maternity leave.

3: Diminished responsibilities

When you're unloading boxes of servers from a truck, if a woman wants to help, let her. You might be surprised to discover that some of the women in your department can dead lift more than the men. This is the kind of subtle gender bias that shows employees that inequality is accepted. The same holds true with standard positional responsibilities. If you have two equally qualified administrators, one male and one female, give them equal responsibilities.

4: Restrooms

This one is usually far less than subtle. In a couple of IT-related firms where it is clear that the majority of employees are men. To find this out, all you have to do is step foot in the restroom. In most of the offices the bathrooms are so disgusting; one feels like walking down the block to use another company's facilities. First and foremost, do not let your restroom reach this state. Second, if you do... do not expect the women to clean them! The female administrative staff and engineers are not your maids or your mothers.

5: Conversations

Consider how you converse with your employees. Do you speak differently to the men and the women? If you're unsure, the next time you are addressing the entire staff take



note—or record yourself. Then, the next time you speak with a female staff member compare how you speak to her versus how you addressed the entire team. What is different (if anything)? If you find that your style differs between conversations with men and with women, make adjustments. This doesn't necessarily mean you should start speaking to everyone as if you are speaking to a man. But if you find your style of conversation is really suited only for male company that is what you need to address. While in the workplace, adopt a gender-neutral style of conversation.

6: Glass ceilings

Can your male and female employees climb equally high on the ladder of opportunity? If not, why? What makes a male or female better qualified to climb higher in your company? If there is no justifiable reason for this (and there probably isn't), remove that glass ceiling. Each employee, regardless of gender, should have the same opportunity. All things being equal, men and women should be able to reach as high as possible, given their skills and performance.

7: Positional bias

What makes a woman better suited to be a secretary or receptionist? Why shouldn't a man fill that position? Why shouldn't a woman serve as [your first line of security](#)? This type of gender bias is rampant in all types of businesses. Don't fall into the stereotype nightmare; otherwise, you might miss out on hiring the best-suited applicant for the job. If you get a male and female applying for the same position—be it secretary or security—hire based on who you believe can perform best based on skills and past experience, not gender. Be open to men working in roles traditionally filled by women and women placed in positions typically held by men.

8: Terminations

What are your reasons for terminating an employee? Have you ever fired a female employee for asking to be treated equally? Have you ever NOT fired a male employee who was involved in sexual harassment? The termination of employees needs to be handled without bias. If you fire XX for A, you'd better be sure that XY would be fired for A as well. Rules and policies should apply for both genders—across the board.

9: Outdated views

Let's face it. Society has changed a great deal over the last decade. If you're still holding onto views that were popular in the nineties (or earlier), you are way behind. Consider this: a company that required women to wear dresses and pantyhose. The men? There was no dress code—it was assumed they would all wear khakis and button down shirts. The notion that women should adhere to some outdated fashion standard—and similar kinds of obsolete thinking—should be eradicated from the workplace. Women can be professional without dresses and hose just as men can be professional without a tie.



10: Sexual harassment

It is amazing that this type of behaviour still occurs in the workplace. There is a reason why companies have had to implement policies regarding sexual harassment. And because IT is such a male-dominant profession, harassment is often either overlooked or not even perceived. This is the danger zone of gender bias. Not only can it cause serious issues with your staff, it can come back to haunt your company legally and in the court of public opinion. There are no circumstances where sexual harassment should be permitted.

Women still face a gender bias – especially in the workforce. Despite the best efforts of companies to promote diversity and equality, women still dominate the lower paying administrative ranks while men continue to dominate at the executive level. This inequality is hurting corporate performance. Women have made astonishing gains in the last 50 years, shattering gender barriers in all aspects of life. More young women are choosing careers in traditionally male-dominated fields such as engineering, the trades, and technology. They are running for political office, starting their own businesses, and blasting into space, and they no longer have to choose between marriage and family or high powered careers. Today’s women want it all – like their male counterparts. And a few are succeeding – but only a few.

Why the disparity?

It is true that women have made tremendous gains in the ranks of lower and middle management over the past 30 years, but the number of females reaching top positions has remained small.¹² Women seem to advance only so far before hitting an invisible barrier – a glass ceiling. Why is this? The reasons are numerous and complex, but include the following.

1. Gender roles

In many business cultures employees are not just promoted for performance. Putting in long hours is often necessary in order to demonstrate commitment and ambition. Some roles require extensive business travel, and in some fields, working in various roles in different national and international locations is the preferred path to promotion. These requirements put many women at a great disadvantage. Their spouses may be on their own career track and be unwilling to relocate every few years, and while men contribute more to housework and childcare than they did 25 years ago, their contribution is still far below that of women. Females continue to be the primary caregivers and cannot devote 16 hours a day, seven days a week to the company. As a result, women tend to be sidetracked to, or are forced to opt for, roles that allow them to accommodate family responsibilities.

2. Gender bias

While outright discrimination towards women may not be part of today’s business world, there are “second generation gender biases.” Unlike first generation gender



biases that were intentional acts of discrimination, second generation gender biases are “powerful yet often invisible barriers to women’s advancement that arise from cultural beliefs about gender, as well as workplace structures, practices, and patterns of interactions that inadvertently favour men.

3.3 RELATIONSHIP BETWEEN ETHICS, VALUES AND MORAL

It is impossible to talk of ethics without first considering some complementary and related terms. The three terms: ethics, morals, values are easily confused. For the purposes of this web site, they are defined as follows:

- Ethics describes a generally accepted set of moral principles
- Morals describes the goodness or badness or right or wrong of actions
- Values describe individual or personal standards of what is valuable or important.

Problems may arise where individuals allow their personal values to interfere with their actions, thereby potentially bringing their actions into conflict with stated ethical standards.

For example, a community worker may consider that it is in the best interests of their client to breach the client’s confidence, leading to a breach of a set standard of confidentiality such as prescribed by a code of ethics, a code of conduct or a legal obligation. The reason for the breach may have been value-based and thereby will not satisfy proper and accepted standards for breaching confidence even though the community worker thought it acceptable or even mandatory. This highlights how our individual values can intrude into our professional lives and potentially cause us to ignore ethical obligations and duties. In other words, our values may cause us to ignore a code of ethics. This is an example of the conflict between worker's values and client’s interests.

It may be possible that an organization can have policies or procedures that conflict with the rights of clients in a general way, the ethical or conduct requirements of their workers or general principles of ethical practice. For example, an organization that operates from a particular philosophical or political basis such as one that is operated by a church or local government authority may find that its institutional values do not always accord with worker or client interests. This is the conflict between institutional values and client’s interests or institutional values and worker’s interests.



Ethics and Values together lay the foundation for sustainability. While they are sometimes used synonymously, they are different, where **ethics** are the set of rules that governs the behaviour of a person, established by a group or culture. **Values** refer to the beliefs for which a person has an enduring preference. Read the following article to know the important differences between ethics and values.

Definition of Ethics

By the term 'ethics' we mean a branch of moral philosophy – a sense of rightness or wrongness of actions, motives and the results of these actions. In short, it is a discipline that identifies good or evil, just or unjust, fair or unfair practices, about moral duty. It is well-based standards that a person should do, concerning rights, obligations, fairness, and benefits to society and so on. The standard puts a reasonable obligation to stop crime like stealing, assault, rape, murder, fraud and so on.

The system addresses the questions of the human morality, such as what should be a standard way for people to live? Or what are the appropriate actions in the given situations? What should be an ideal human conduct? Under Ethics there are four important subject areas of study:

- **Meta-ethics:** Ethical philosophy that analyses the meaning and scope of moral values.
- **Descriptive ethics:** The branch of ethics that deals with psychology, sociology, anthropology, etc.
- **Normative Ethics:** The study of the moral course of action through practical means.



- **Applied ethics:** This branch tells us how we can achieve moral outcomes, in a particular circumstance.

Definition of Values

Values refer to the important and enduring beliefs or principles, based on which an individual makes judgments in life. It is at the centre of our lives which act as a standard of behaviour. They severely affect the emotional state of mind of an individual. They can be personal values, cultural values or corporate values.

Values are forces that cause an individual to behave in a particular manner. It sets our priorities in life, i.e. what we consider in the first place. It is a reason behind the choices we make. It reflects what is more important for us. So, if we are true to our values and make our choices accordingly, then the way we live to express our core values. Moreover, if you understand an individual's values, you can easily identify what is important for them.

Key differences between Ethics and Values

The fundamental differences between ethics and value are described in the given below points:

1. Ethics refers to the guidelines for conduct, that address question about morality. Value is defined as the principles and ideals, which helps them in making the judgment of what is more important.
2. Ethics is a system of moral principles. In contrast to values, that are the stimuli of our thinking.
3. Values strongly influence the emotional state of mind. Therefore it acts as a motivator. On the other hand, ethics compels to follow a particular course of action.
4. Ethics are consistent, whereas values are different for different persons, i.e. what is important for one person, may not be important for another person.
5. Values tell us what we want to do or achieve in our life, whereas ethics helps us in deciding what is morally correct or incorrect, in the given situation.
6. Ethics determines to what extent our options are right or wrong. As opposed to values, that defines our priorities for life.

While ethics are consistently applied over the period they remain same for all the human beings. Values have an individualistic approach, i.e. it varies from person to person but remains stable, relatively unchanging, but they can be changed over time due to a significant emotional event.



Morals have a greater social element to values and tend to have a very broad acceptance. Morals are far more about good and bad than other values. We thus judge others more strongly on morals than values. A person can be described as immoral, yet there is no word for them not following values.

Understand the differences between the values, morals and ethics of the other person. If there is conflict between these, then they probably have it hidden from themselves and you may carefully use these as a lever.

What is Ethics?

A person who knows the difference between right and wrong and chooses right is moral. A person whose morality is reflected in his willingness to do the right thing – even if it is hard or dangerous – is ethical. Ethics are moral values in action. Being ethical is an imperative because morality protects life and is respectful of others – all others. It is a lifestyle that is consistent with mankind’s universal values as articulated by the American Founding Fathers – human equality and the inalienable right to life. As warriors it is our duty to be protectors and defenders of the life value and to perform the unique and difficult mission of taking the lives of those acting immorally (against life) when necessary to protect the lives of innocent others.

What are Values?

According to the dictionary, values are “things that have an intrinsic worth in usefulness or importance to the possessor,” or “principles, standards, or qualities considered worthwhile or desirable.” However, it is important to note that, although we may tend to think of a value as something good, virtually all values are morally relative – neutral, really – until they are qualified by asking, “How is it good?” or “Good to whom?” The “good” can sometimes be just a matter of opinion or taste, or driven by culture, religion, habit, circumstance, or environment, etc. Again, almost all values are relative. The exception, of course, is the value of life. Life is a universal, objective value. We might take this point for granted, but we all have the life value, or we would not be alive. Life is also a dual value – we value our own life and the lives of others.

What are Morals?

Moral values are relative values that protect life and are respectful of the dual life value of self and others. The great moral values, such as truth, freedom, charity, etc., have one thing in common. When they are functioning correctly, they are life protecting or life enhancing for all. But they are still relative values. Our relative moral values must be constantly examined to make sure that they are always performing their life-protecting mission. Even the Marine Corps core values of “honor, courage and commitment” require examination in this context. Courage can become foolish martyrdom, commitment can become irrational fanaticism, honor can become self-righteousness, conceit, and disrespect for others. Our enemies have their own standard of honor, they



have courage, and they are surely committed. What sets us apart? Respect for the universal life value sets us apart from our enemies.

When you must kill protecting life it is still hard, but it is moral. Those who kill those not observant of their narrow relative religious, ethnic or criminal values – in other words, kill over relative values – are immoral. A dedication to protecting the life value of self and others – all others – makes the Ethical Warrior different and moral.

3.4 LEADERSHIP VALUES AND WORKPLACE ETHICS

Ethical leadership requires ethical leaders. If leaders are ethical, they can ensure that ethical practices are carried out throughout the organization. Leaders are naturally in a position of power both on and off the job, so ethical leadership must focus on how leaders leverage this power in the decisions they make, actions they engage in and ways they influence others. Leaders are responsible for influencing followers to perform actions, complete tasks, and behave in certain manners. Effective leaders also influence processes, stimulate change in attitudes and values, and amplify empowerment and self-efficacy of their followers, as they foster the internalization of corporate vision. The nurturing aspect of leadership can also raise an organization's culture and employee's values to higher levels of ethical behavior. By demonstrating ethical leadership we promote a high level of integrity that stimulates a sense of trustworthiness, and encourages subordinates to accept and follow our vision. Character and integrity provides a strong foundation for other personal characteristics that direct our ethical beliefs, values, and decisions.

Ethical leaders are likely to be people-oriented, and aware of how their decisions impact others. They therefore use their power and authority to serve the greater good instead of self-serving interests –a “win/win” for employees and the organization. This modeling serves as a guide and motivator for others to put the needs and interests of the group ahead of their own. Such engagement creates an intellectual and emotional commitment between leaders and their followers that makes both parties equally responsible in the pursuit of common goals. Further characteristics of ethical leaders include: inspiring, stimulating, and other visionary behaviors that make up transformational leadership. Ethical leaders also coach cohorts in gaining a sense of personal and professional competence that allows them to excel while being more resilient, loyal and profitable.

The Center for Ethical Leadership recommends a 4-V Model of Ethical Leadership as a framework that aligns leaders' internal beliefs and values with his or her external behaviors and actions for the purpose of advancing the common good of employees, leaders, organizations and beyond. The model was created and based on research by Center founder Dr. Bill Grace. A quick overview of the 4-V Model is as follows:

- Values – Ethical leadership begins with an understanding of and commitment to a leader's core values. By discovering the values which make up the core of our



identities and motivators, we begin the process of integrating our unique values with our choices in our personal, professional, and civic lives.

- Vision – Ethical leadership requires the ability to frame our actions within a picture of “what ought to be” – particularly in the area of service to others.
- Voice – Ethical leaders must be able to articulate their vision to others in an authentic way that enlivens them into action.
- Virtue – Ethical leaders strive to do what is right and good. They practice virtuous behavior by asking “How are my values, vision and voice in alignment with and supporting the common good?”

We would add a 5th “V” to this list: VALIDATE – increase the ethical know-how of everyone in the organization by hiring for ethics and values as well as capabilities, including ethical behavior in appraisals and firing people who fall short of ethical standards.

Ethical leadership is essential for today’s leaders. Watching the news over the past months and years has underscored the importance of being ethical in business and universally. So what can you do to ensure that you are a principled leader that is creating an ethical organization? Start with an open dialogue with your leadership team – help them discover and claim their core values, then work together to develop a vision for how your world could be different by employing the “5-V Model.”

A good leader possesses the right values and ethics to be effective at people management. The best leaders are also able to recognize the necessity for ethical behaviour in their colleagues and employees. Great leaders demonstrate the values and ethics they expect their employees to possess, and don’t believe in a “do what I say not what I do” mentality. Effective leaders make their ethics and values clear to all who follow them by living them each day.

One of the major problems in many workplaces is a lack of trust. It’s difficult to trust managers and employers who don’t demonstrate good values and ethics in their workplace behaviour. Any leader who lets himself or herself be seen to engage in untrustworthy behaviour is one who will ultimately find their leadership undermined and will have to work hard to regain confidence.

Leaders who continually flout their own rules and demonstrate poor values and ethics will find it extremely difficult to gain and maintain employee and colleague loyalty. People don’t know what to expect from leaders who aren’t consistent, and aren’t sure of the values and ethics they should be working by. It is only through clear and visible demonstration of values and ethics that effective work situations can truly occur.

It is a great idea for all workplaces to form a code of conduct that clearly explains the values of the company and the ethics the company works by. Leaders need to internalize these values and ethics and live by them and in doing so, inspire other employees to live and work by the same values.



When leaders fail to live up to their organization's code of ethics and values, they become nothing more than words on paper, respected neither by the employees or their managers. It is sometimes surprising the effect a bad leader can have on company and employee morale. Great leadership inspires people who will follow and emulate those they respect.

Some demonstrated values include: individuality, integrity, equality, responsibility, competency, accuracy, dedication, loyalty, honesty, credibility, innovativeness, excellence, quality, accomplishment, independence, interdependence, flexibility and compassion. Company leaders must choose the values and ethics which are the most important to them, and must be able to demonstrate them in their thoughts, words and actions while in the workplace.

Great leaders need to be those who others want to follow, those who offer a positive vision for the future, and those who inspire others and who are able to show others their appreciation by making them feel like valued members of a team (even when they may have done something incorrectly or may not have met a necessary company standard). When a leader is someone that others aspire to become, they are able to do their jobs most effectively, and are able to get others to do the same.

When a company has problems with management and employees, there may be conflicts between the managers and the values and ethics they demonstrate to other employees. It's necessary that all managers and leaders in an organization are able to work within the guidelines of the company's stated values and ethics. If this has been done poorly in the past, it may be necessary to organize official meetings with all leaders to reinforce company values and to make it clear that it is now necessary for all company leaders to demonstrate these values to other members of the organization.

It may initially be difficult to get full compliance, especially if managers have been left to their own devices in the past. It may be especially difficult if the owner or those further up the chain have not been demonstrating these qualities themselves. In some cases, there will need to be organization-wide change for all managers and employees to come on board, but the pay-offs are well worth the effort.

If achieving an organization that lives to a high standard of values and ethics seems like an impossible dream, it may be necessary to enlist the assistance of a professional trainer to come into the organization and meet with all managers in several formal training sessions emphasizing the need for great leadership with clear expectations of demonstrable values and ethics. It must be made clear that all managers and those in positions of leadership must live by and demonstrate the values and ethics specified by the company. A good leader will quickly see why this is necessary and valuable to the company.

Those who are less experienced with leadership may tackle their jobs and those working beneath them in the wrong way, and may not immediately see the benefit of demonstrating good values and ethics. This often occurs because new managers haven't had good managers or mentors themselves, and have learned an ineffective and



erroneous method of managing others. However, with the right training and a good demonstration of the benefits of value based and ethical work practices, they can develop the skills necessary to be great leaders who inspire those they work with.

A good organization is composed of leaders who demonstrate clear ethics and values, and who inspire those who work under them to do the same. They are fair in dealing with employees, offer encouragement and advice when needed, and ensure that all employees feel like valuable members of a team. Once teams of workers all feel comfortable working within the company's values and ethics, the organization will be strong and effective.

A basic ethical tenet is that “the ends do not justify the means.” How we get to our goal is just as important as the goal itself. If we use and misuse people; if we treated them unfairly; if we pressure them into taking actions that are motivated by greed and not in the best interests of the stakeholders of the organization (i.e. investors, creditors, employees, suppliers and customers), then we are following values driven by the pursuit of self-interests, a form of decision-making known as egoism, and not one that respects the rights of others.

Core values don't change like the wind blowing from east to west; north to south. Values are part of underlying ethical principles such as: (1) Treat employees, suppliers and customers with respect; (2) Be candid in all your dealings with stakeholders; (3) Accept responsibility for your actions; (4) Be accountable for your decisions; and (5) Maintain your integrity in the face of countervailing forces.

Value based leadership is as much a management philosophy as it is an execution practice. As leaders, you want to encourage employees to buy into the underlying core values of your organization. The journey begins by identifying, explaining, and providing examples of values-based leadership.

Warren Bennis, who is widely regarded as a pioneer of the contemporary field of Leadership Studies, once said: “The most dangerous leadership myth is that leaders are born -- that there is a genetic factor to leadership. This myth asserts that people simply either have certain charismatic qualities or not. That's nonsense; in fact, the opposite is true. Leaders are made rather than born.”

3.5 LET'S SUM UP

Valuing employees, respect, and integrity are common core values that are visually displayed in mission statements or in employee handbooks. Great leaders realize that it is not the phrasing within the documents that make a difference. The real difference comes from the leader's behaviour – how they show up every day. Below are some examples of ethical leadership.



No matter what style of leadership a manager, teacher, or parent possesses, there are ethical behaviors to consider in the relationship between the leaders and the people they influence. A true measure of leadership is the ethical influence the leader has on his or her followers, or stakeholders.

An [ethical](#) leader is one that considers positive and negative views and the rights of everyone involved, as well as ensuring that decisions are made in an ethical manner and members are held accountable. The ethical actions of a leader enhance his or her credibility and integrity, which causes followers to trust. Employees, students, and children establish faith in their leader's decision making and the choices the leader makes by listening to and watching what they do. Ethics is connected to the ways that leaders interact with others and how leaders act when they think no one is around. When a leader is courteous, kind, and respectful toward others, people associate these outward actions with a high level of ethical conduct. When people see a leader pick up trash or help a stranger when the leader thinks they are not being watched, this tells the true character of a leader. Attitudes and behaviors that are most visible are *caring* and *concern* for others' needs.

3.6 KEY TERMS

Workplace Ethics, Ethical Responsibility, Role Models, Ethical System, Ethical Skills, Gender Issues, Organizational Performance, Gender Perceptions, Unequal Pay, Glass Ceilings, Positional Bias, Sexual Harassment, Gender Roles, Gender Bias, Leadership Values.

3.7 SELF-ASSESSMENT QUESTIONS

1. What are the different types of ethical systems?
2. How can an organization improve ethical behaviour?
3. Why is there unethical behaviour in the workplace?

3.8 FURTHER READINGS

1. R.S.Naagarazan (2006), Professional Ethics and Human Values, New Age International.
2. Suparna Chakraborti (2010), Values and Ethics in Business and Profession, PHI.
3. Johnson & Ridley ((2005), Elements of Ethics for Professionals, St.Martin's Press/Infoedge.
4. D.A.Bredeson & K.Goree (2007), Ethics in the Workplace, Cengage Learning.

3.9 MODEL QUESTIONS

1. What are some steps that companies/employers could take to equal out the ground and to improve the representation of women in the industry?
2. What do you understand by leadership values in the workplace?
3. Differentiate between ethics, values and morals in the workplace.
4. As a woman in post, what are some of the challenges you have to face on a daily working basis?





Unit-4

Ethics Audit

Structure

- 4.0 Learning Objectives
- 4.1 Introduction
- 4.2 Meaning of Ethical Audit
- 4.3 Benefits of an Ethics Audit
- 4.4 Importance of Ethics Audit to an Organization
- 4.5 Let's Sum Up
- 4.6 Key Terms
- 4.7 Self-Assessment Questions
- 4.8 Further Readings
- 4.9 Model Questions

4.0 LEARNING OBJECTIVES

After going through this Unit, you will be able to understand:

- professional knowledge in the workplace
- knowledge of professional values, ethics and attitudes, and of law
- knowledge of the business environment, economics and quantitative methods
- the importance of values and attitudes in an organization

4.1 INTRODUCTION

The professional conduct represents a set of ethical rules and virtues which are binding to all the individuals and groups who work in the society, through their performance to their duties and crafts. These rules of morals and ethics are essential for the existence and continuity of societies. Therefore, due to the importance of professional ethics and conducts, and to empower the professionals to perform their profession fully in sincerity, subjective, and integrity, the organizers of the profession legislated the laws, regulations and principles of the professional conducts. These rules usually include



credibility , honesty, integrity, loyalty , respect and a sense of responsibility and the concern for the benefit of others, caution, justice and adherence to the laws and regulations. Auditors, like other professionals need these principles or more as the results of their work affect their customers, community and others. So, there must be commitment to the rules of ethics and professional conduct in order to have constructive impact. What happened to Enron Company and their auditors, Arthur Anderson, was not due to the default of the international accounting criteria or auditing criteria, but the problem falls in the ethics of the profession itself. The need has become more pressing to focus on the subject of this study after the breakdowns of giant companies in the environment of economy. The collapse was due to the low ethics practices; whether in the plants under auditing or the auditing institutions themselves which had the significant role in the financial crisis prevailing now.

The importance of audit quality is associated with the outputs of auditing process, represented in the auditors' report, on which many external users depend on for decision making, thus the auditing quality is a common interest of all beneficiaries from the audit, including the auditor, company and banks managements, creditors, associations, and institutions organizing the profession. In addition to the above, the adoption of the system to control the quality of auditing works could achieve many advantages and characteristics, including: Giving reasonable assurance that the services and job performed by the auditing office are in line with the professional requirements and auditing standards generally accepted.

- 1- Improving auditing programme by following the instructions and guidance issued in this regard.
- 2- Following the audit quality methods assists in winning new clients to the auditing office and maintaining them.
- 3- The high level of reliability in auditing jobs means free financial lists of fundamental errors.
- 4- The high-quality audit can be considered a part of the owners control system of their inability to have direct control of the management conducts.
- 5- The auditing quality is deemed one of the important topics that lead to the progression of auditing profession with the advanced level of professional performance of the auditing offices.

In the view of the researchers, the auditing quality is linked to the existence of quality control program. The most important elements of auditing quality are: independence, guided by the views of experts, the acceptance of new clients and continuous relationship with existing customers, and be subject to the peer review.

Finance and accounting is the lifeline of companies. Corporations are formed with one goal - to make money; that's it, so money and finance and proper recording of transactions is what keeps a company going. With respect to ethics, it's an integral part of the accounting profession - if a gatekeeper, the recorder of transactions allows lapses



in judgment, there is nothing to be trusted about the operations of the company: contracts will be questioned, valuations will be inaccurate, revenues will be shady, and expenses cannot be compared to anything in existence.

4.2 MEANING OF ETHICAL AUDIT

Ethical audit denotes neutral, third-party verifiable process to understand, measure, report on, and help improve an organization's social and environmental performance. Ethics is a branch of philosophy considering value based on human behavior to truth or falseness of the acts or good or evil outcomes of these acts. In a broader definition, ethics is a set of ethical values. Each of us is with a set of values and considers them appropriately and sometimes we ignore them. Philosophers, religious institutions and other groups defined ideal ethical values by various methods. Some examples of ethical values determined at execution level are including rules, religious teaching, and ethical principles law in commerce for professional, industrial groups and professional ethics regulations in organizations. In other words, ethics is a set of ethical criteria to investigate the truth or falseness of an issue.

The formation of profession in economy is arising from labor division in social life and specialization of affairs in human communities. The passage of time, increasing development of knowledge and technology, complexity of social relations led into the professions development. The employed people play important role in improvement of public welfare of society and fulfilling the responsibility. The quality of presenting the services and created trust continued the life of jobs and employment of its members in history. In other words, society acceptance is the main capital and continuance of each profession. The continuance of work and keeping this capital are of great importance. Social acceptance and achieving society satisfaction are possible when presenting services is of exact principles. The system of each job is a combination of professional rules. The behavioral and ethical regulations of each job are the most important policies and some items as defining the main concepts of job, the relations of members with society and members with each other are considered. Professional ethics is the knowledge defining the appropriate behavior in each job and present practical guidance to determine the responsibilities.

Most of the recognized jobs formulate applied standards and principles for their professional ethics. The main goal of formulating behavioral standards is that ethical responsibilities are defined to the society, others and society. The medical jobs, engineering, lawyers, accounting, auditing and journalism besides common features have formulated professional ethics due to the social importance. The common features in the mentioned jobs are including:

- Defining the qualification to enter the job
- Complexity of technology and professional knowledge
- Responsibility in presenting the services to society



- The need to achieve acceptability and society trust

Ethical principles in these jobs are behavioral norms. In social behaviors, what we should do and we shouldn't do is the duty of ethics (Duska et al., 2006). The main issue of professional rules is the norms. These norms are issued based on the accepted values and are described by some terms as good, bad, false and true.

Max Weber divided ethics into three sections:

- Ethics in family and private life
- Ethics in economic life
- Ethics in politics and social relations

Thus, professional ethics in accounting and audit is the subset of business ethics and business ethics is the subset of morality in economic life.

Accounting and audit due to effective role in business are considered by various communities from the past. This profession dates back to the early human being civilization. Indeed, when trading was started, recording the transactions and reporting was taken into attention. In ancient civilizations, tax and assets of government were maintained. In 3600 years before and in ancient civilization of Sumerians, there was a comprehensive financial system indicating the amount of grains, livestock and the estates of government. In ancient civilizations of Lidi, Iran and Egypt, the incomes and expenditures of government were kept carefully. In the 13th and 14th centuries and with the growth of industry, trading and banking, considerable progress was made in holding the accounts. Finally, in 1800, balance sheet and profit and loss statement was common. After the industrial revolution, the manufacturing operation of capital markets was wide.

4.3 BENEFITS OF AN ETHICS AUDIT

The professional ethical guidance includes two parts of fundamental and rules. Principles define professional responsibility to society, employer and members. Rules show practical use of principles (committee on formulating audit guidance, 1997). The major principles in professional ethics of accounting and auditing are including:

- Considering the beneficiary benefits: Professional accountant should consider the benefits of all beneficiaries including society, employer, creditor and employees.
- Responsibility: Deep understanding of professional, ethical and legal responsibilities is the necessities of works in this profession.
- Doing work truly: Resorting of professional accountant to general ethical principles
- Impartiality in judgment: The professional accountant should have a judgment without benefits contradict and others influence and don't prejudice.



- **Autonomy:** The ability of professional accountant to keep impartiality and the independent auditor shouldn't have direct benefits or important indirect benefits in the unit.
- **Confidentiality:** The information of employer should be confidential. The auditor is not obliged to disclose the employer confidential information without his permission and the disclosure is only in legal courts.
- **Observing the type of service:** This principle shows that the limitations of services are observed and the work is compatible with the professional role.
- **Professional qualification:** The professional accountant should have adequate information of techniques in professional work and should have required skills and experiences.
- **Observing the technical regulations:** Observing the accepted accounting and auditing standards is obligatory. The professional accountant should consider professional care in the work as observing law, report form, timely report, and accuracy in figures, work appropriate method, quality standards and other accepted standards.
- **Professional behaviour observation:** Observing the position of professional accountant is necessary. The accountant should behave as making the job credibility problematic.

Ethics is rooted in human nature (wisdom and emotion). Human spirituality is a natural and infinite reality and observing ethics is one of the manifestations of this spirituality and the initial basis of social life. In accounting and auditing, professional ethics is the measurement index of appropriate behavior and a tool to determine true and wrong relations. Indeed, Ethical principles in this profession determine the professional accountant responsibility to the society, employer and other beneficiaries. The reality is that now we cannot trust others without ethics. Also, we cannot have a good contact with environment and the world. In other words, as we are involved with small works, or when we participate in a simple dialogue or when we consider social life and professional responsibilities, we need ethical principles. Professional behavior regulation and ethics in accounting and auditing is an attempt to respond these needs. It is obvious; all accounting institutions continue high level of studies about ethical principles for volunteers and most of the proposed courses of institutions are associated with ethical principles. Thus, auditors should observe the instruction of ethical principles and maintain their autonomy during assurance and giving their opinions to financial statements. Accounting has important general responsibilities. As professional accounting institutions presented adequate researches about ethical principles to professional accountants, the auditors are obliged to execute these studies in practice to be sure of responsiveness and trust. Accounting and auditing and accounting ethics beside other innovations can reduce the ethical offences and scandals. This ethical accounting and auditing at individual level can be done in accounting institutions even for accountants working business. If we keep independent audit job for future of the society, we should eliminate the ethical and value problems by considering the benefits.



If we resolve these problems by other methods, we ignored our right to have a professional social condition and a suitable professional destiny is not considered for us. Expressing the fundamental principles of ethics and professional behavior in journals and approving the regulations are useful measurements but without formulating a long-term plan to increase the knowledge of accountants regarding this issue and development of professional behavior and ethics cannot be effective. Although educational plans are necessary, they cannot organize the affairs. To improve ethics and professional behavior in the country, a complete attempt should be made by professional accounting communities, professional institutions and professional accountants in three levels of rules, training and execution.

Ethical compliance within an organization is done for the benefit of the company and the employees. The use of ethical standards can both reduce the chances of a workplace lawsuit and help to create a positive work environment. Before establishing your corporate ethical policies, you need to understand both the advantages and disadvantages of ethical compliance in an organization.

Laws

Local, state and federal laws help to guide part of a company's ethical policies. For example, a zero tolerance corporate policy for sexual harassment is in response to the many laws that govern this kind of workplace activity. Ethical compliance helps companies to develop a work culture that abides by the workplace laws and reduces the costs associated with fines and lawsuits.

Workplace Culture

A policy of ethical compliance helps to create a workplace culture where all employees are treated with respect. Employees are given equal access to advancement opportunities and the workplace becomes a positive and nurturing environment. A strong ethical standard in the workplace helps to create strong working relationships between the staff and management. It reduces employee turnover, improves morale and has a positive effect on productivity.

Lack of Management Support

One of the disadvantages of an ethical compliance program is that it requires the comprehensive support of management to be effective. If members of the management team decide to apply their own version of corporate ethics to the way they manage their departments, then this clash of principles can cause confusion in the workplace. For example, a manager who tends to look the other way when his employees are committing sexual harassment sets a precedent that can start to undermine the entire corporate culture.

Costly

Developing, implementing and maintaining an ethics compliance program within your organization can be expensive and time-consuming, according to attorney Michael G.



Daigneault, writing for the Maryland Association of CPAs. Ethics policies need to be continually updated to reflect changes in workplace laws and changes in your company culture as the organization grows. Proper administration of an ethics program often requires the hiring of an ethics officer and the commitment of company financial and personnel resources.

4.4 IMPORTANCE OF ETHICS AUDIT TO AN ORGANIZATION

Is your company looking for candidates to replace a departed executive? Is your business seeking experienced managers to handle projected growth? Are you in search of venture capital to expand the business or finance a management buy-out?

If any of these situations apply to you, be advised both the managerial candidates and the financiers will be conducting an ethics audit of your business as part of their due diligence effort.

Although ethics were important in the past, the recent spate of business scandals has brought ethics to the forefront. Experienced businesspeople and financiers realize a strong ethics program is essential for a growing business in any field.

If a company is lax in its ethics reinforcement, one inappropriate decision made by a junior executive can wipe out the company's customers and stock value overnight.

Ethics is not just about doing what is legally right; more important, it is about what is morally right. Unfortunately, we live in a time when traditional business standards have begun to fade. Right over wrong and our sense of values and fair play are more frequently superseded by the urge to take shortcuts to monetary success whenever possible. The justification seems to be, if no one catches us, it didn't happen.

At a personal level, we need to look into the depths of our humanity and reflect on the behaviors that enhance life. The reward of a highly ethical value system is not fame or fortune; the reward is the knowledge that you did what was right, which is far more life-enhancing than money or prominence.

To ensure your business is viewed in the strongest possible light by future financiers and employees, your personal ethics must be beyond reproach.

This means you cannot afford even the appearance of unethical behavior.

When it comes to business, past skeletons in the closet may never go away. Also, you must ensure your company has a strong ethics foundation and lives by it.



Zero-tolerance

To pinpoint present deficiencies and potential problem areas, consider performing an audit of your company's ethics environment. When you conduct your company's ethical audit, look for the following:

- Does your business have a zero-tolerance for bad ethics? If not, why not? The ethics philosophy at your business should be "one strike and you are out." Nothing else is acceptable for an ethical business.
- Does your company have a formal, written code of ethics? If so, is it distributed to all employees? If your code only applies to hourly workers and not to management, it is not a code at all, because it conveys a message to hourly workers that executives can do as they please without fear of retribution. How loyal would you be to such a company?
- If you have a written code, is there a formal system for reviewing, updating and enforcing this code? If not, the code will quickly be perceived as an ancient document rather than a living one. In addition, both hourly and salaried staff should be represented on the committee conducting the reviews, updates and enforcement.
- Are employees at all levels of the company trained in ethical decision-making? This means far more than handing them an ethics booklet. Every employee (old or new) should be required to participate in an ethics training workshop that emphasizes the ethics ideals of your business.
- Is your ethical training a one-time thing or is it ongoing? If you want ethical behavior to stay strong, it must be reinforced. Every employee should be required to participate in an annual ethics refresher course.
- How does your company express to employees its commitment to ethics? Does the company provide the training and nothing more, or does the company instill in every worker the mantra that they should consider the ethics guidelines in their manual whenever they make a decision involving the company? Are there company posters proclaiming the merits of ethical behavior?
- Are employees encouraged to take responsibility for their behavior? Are they encouraged to question authority when asked to do something they consider ethically wrong? Are they actively encouraged to maintain a strong personal code of ethics?

Formal committee

- Do you have an ombudsman or similar confidential channel for employees to voice their concerns regarding ethics violations confidentially and without fear of retribution? Is there a formal committee with senior executive representation



that considers ethical issues in accordance with the company's written code of ethics?

- Is ethical misconduct dealt with swiftly, firmly and justly within the company? All employees, whether executives, managers or other workers, should be treated in the same fair and impartial manner. There should be no beating around the bush or lame excuses when dealing with unethical behavior at any level within the company.

If employees see a senior manager terminated for unethical behavior, that action will reinforce their commitment to ethics. Conversely, if they see the senior manager getting only a slap on the wrist, this inaction could destroy the ethical foundation you worked so hard to establish.

- Does your company emphasize to all senior leaders the fact that they must be models of ethical behavior for the rest of the company at all times? This means both on and off the job; therefore, you must ensure your managers all maintain and value a high degree of personal ethics.

Uncovering existing rotten apples in your business can be difficult. One way to do this is to give a simple questionnaire annually to all employees.

Ask three key questions:

1. How do you rate your personal ethics on a scale of 0 (worst) to 4 (best)?
2. How do you rate your supervisor's ethics on the same scale?
3. How could we improve company ethics?

Share only the collective results with supervisors. If there is a recurring theme of actions that should be taken by the company or a supervisor who is rated poorly on ethics, take action accordingly. I define poorly as anything less than 3.

With supervisors, discuss the issues and get them to commit to a plan of action to improve their ethics. If the situation does not improve, consider giving them the opportunity to seek employment elsewhere.

If your audit uncovers any ethical deficiencies, correct them immediately. Today you must maintain the strongest possible code of ethics if you are to attract the best employees and capital on the most favorable terms.

The question is raised why ethics is of great importance in accounting and audit? There are some reasons as followings:



- Professional accountants are responsible to public benefits and credit of accounting profession and personal benefits shouldn't be better than best public benefits.
- Accountants for the behalf of their employers are faced with some issues and they have access to confidential information.
- Auditors claim the present independent opinion.
- Professional accountant considers himself responsible to the employer. His mission is solving the employer problem and creating required value for him. If such value is not created and such problem is not solved, the professional accountant hasn't done his duty well. An accountant only after achieving required result of employer does his duty well by doing all the measurements achieving the result.
- Technically, professional accountants should do professional services in accordance to appropriate technical standards. Professional accountants are obliged to do the requirements of the employers as consistent with the requirements of integrity, impartiality and if the professional accountants are formal accountants with autonomy feature should be consistent.

4.5 LET'S SUM UP

Ethics is a comprehensive issue covering all aspects of life. Accounting includes accounting services and is one of the jobs based on discipline in the world. This profession is associated with one of the issues of people in the society, property and assets of people. Ethical principles or ethics are defined in a set of spiritual values and principles. All of us have such set of values although we don't know anything about them. If accountants and auditors working in business environment are not dependent upon professional ethics, it has harmful effect for those trusting them. Thus, accounting professional ethics is of great importance for accountants and professional auditors and those involved in auditing and accounting. The present study showed that professional ethics is a necessity for accounting job (accounting and audit). It seems accounting ethics like any accounting product needs accounting and audit. The role and duty of professional accountants to society, capital holders and other people required that they observe all general principles of good morality in all aspects and resort to the professional behavior regulation to achieve acceptance, credit and social respect as the requirement of activity in each specialized job.

4.6 KEY TERMS

Professional Conduct, Credibility, Ethics Audit, Auditing Programme, Audit Quality, Ethical Principle, Social Relations, Impartial Judgments, Ethical Compliance, Workplace Culture, Management Support, Zero Tolerance.



4.7 SELF-ASSESSMENT QUESTIONS

- Q.1 Explain the benefits and risks of ethics auditing?
- Q.2 List down the advantages and disadvantages of ethics auditing.
- Q.3 What is the significance of ethical auditing in a workplace?

4.8 FURTHER READINGS

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4.9 MODEL QUESTIONS

- Q.1 What is an ethics audit and why is it important to an organization?
- Q.2 What are the major principles in professional ethics of accounting and auditing ?
- Q.3 Ethical Audit is an integral part of a successful organization – Justify.

