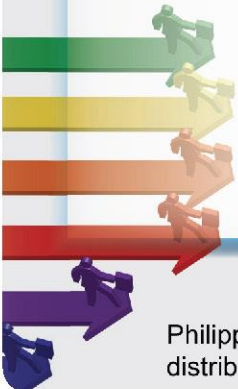




# HRM AND BUSINESS ETHICS

## Chapter 18





# DEFINITION OF BUSINESS ETHICS

- The branch of ethics that examines questions of moral right and wrong arising in the context of business practice or theory
- Refer to written and unwritten codes of principles and values that govern decisions and actions within a company



# SHAREHOLDER VERSUS STAKEHOLDER PERSPECTIVE

## Shareholder

- Decisions are guided by a need to maximize return on investment for the organization's shareholders

## Stakeholder

- Make sound decision that works for the good of all affected parties.



# WHAT IS ETHICAL BEHAVIOR?

Different people have different beliefs about what constitute ethical behavior, the distinction between right and wrong.

## THE FOUR WAY TEST

Is my decision a truthful one?

Is my decision fair to everyone affected?

Will it build goodwill for the organization?

Is the decision beneficial to all parties who have a vested interest in the outcome?



# MAJOR FACTORS IMPACTING ORGANIZATIONAL ETHICS

- **Management by Example**
  - “Walk the talk”
- **Establishment of a Code of Ethics**
  - A Code of Ethics must be adopted by the company and communicated to all employees



- **Corporate Culture**
  - It is defined as a composite of basic assumptions and beliefs developed by an organization over time.
  - An organization's culture is the sum of its shared values, beliefs and norms of behavior turned into action.





# CLARIFYING VALUES

- Values refer to principle standard or quality considered worthwhile or desirable.
- The moral compass that keeps the organization pointed in the right direction.
- In an organization, it is important that core values must be agreed upon and set by its senior leadership.