

*Arjun Chhabra*  
(CS LLB LLM)  
62 62 62 143 8 | 9552 52 143 8  
<https://www.arjunchhabratutorial.com/>



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Arjun Chhabra (CS LLB LLM)

*What's App/Call: 62 62 62 143 8 / 9552 52 143 8*

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## CMA Inter Law – Dec 24 – Exam Oriented Marathons

1. **Starting from: 23<sup>rd</sup> Oct 2024 (Wednesday)**
2. **Platform: Arjun Chhabra Tutorial YT Channel (Click here to land on YT Channel) (No Back up – only live stream in YT)**
3. **Timing: 04:00 PM onwards (Roughly 3 hours daily)**

## Features of Exam Oriented Marathons

1. **Comprehensive coverage of entire syllabus of Law in least possible time.**
2. **Covering all Important questions of Commercial Laws, Corporate Laws, Industrial Laws and Ethics.**
3. **MCQ Practice from ICAI MCQ Bank – 30 Marks Coverage Click here to get MCQ Bank**
4. **Last attempt (June 24) 100 % paper was from ACT's Material: [Click here to watch](#)**
5. **Covering all Past exam paper | Model Question Paper | MTP | RTP | Postal Test Paper**
6. **Telegram group to stay connected with Arjun Sir: [Click here to Join Group](#)**

## Schedule of Exam Oriented Marathons

Date	Topic	Coverage	Link	Timing
23/10	Contract	16 Marks	<a href="#">YT Link</a>	04:00 PM Onwards
24/10	Soga   Partnership   Nego   LLP	14 Marks	<a href="#">YT Link</a>	04:00 PM Onwards
25/10	Director & Constitution of India	25 Marks	<a href="#">YT Link</a>	04:00 PM Onwards
26 /10	Companies Act   Auditor	15 Marks	<a href="#">YT Link</a>	04:00 PM Onwards
27/10	Industrial Law	15 Marks	<a href="#">YT Link</a>	04:00 PM Onwards
-	MCQ Practice	30 Marks	<a href="#">YT Link</a>	-
-	Ethics	15 Marks	<a href="#">YT Link</a>	-

## How to Avail Notes

1. Download Arjun Chhabra Tutorial App from this link: <https://play.google.com/store/apps/details?id=co.shield.yewkp>
2. Click on this link to know complete procedure to get the notes: [https://youtu.be/z-\\_DAQD7eKs](https://youtu.be/z-_DAQD7eKs)
3. One wrong step may lead to non-availability of notes, so please watch the above video very carefully.

## Any other query?

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## ***Business Ethics and Emotional Intelligence***

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## 1. Ethics - Meaning, Importance and Nature

- Business ethics is an **essential skill**. Almost every company now has a business ethics program, mostly because technology and digital communication have made it easier to identify and publicize ethical missteps.
- **To avoid the negative implications**, companies are devoting more resources to business ethics. In addition to establishing formal programs, companies are creating ethical workplaces by hiring employees with high integrity and honesty.
- **Business successes is very intrinsically linked to ethics in the workplace.**

### Example

**Example:** The **Tylenol crisis** refers to a major public health and business crisis that occurred in 1982, involving the popular over-the-counter painkiller Tylenol, manufactured by Johnson & Johnson. This crisis began when seven people in the Chicago area died after consuming Tylenol capsules that had been laced with cyanide, a deadly poison. The tampering happened outside of the production facility, and the capsules had been altered in stores after distribution. This event became one of the first major cases of product tampering in the U.S. and created widespread fear among consumers, severely threatening Tylenol's reputation and market share.

#### How Johnson & Johnson Responded

Johnson & Johnson's response to the crisis is often cited as a textbook example of ethical crisis management:

1. **Immediate Recall:** Johnson & Johnson quickly recalled **31 million bottles of Tylenol**, costing the company millions of dollars, despite not knowing if the contamination had occurred at their facility. This decisive move showed that they valued customer safety over profit.
2. **Transparent Communication:** The company provided regular updates to the public, working closely with the media to keep consumers informed and offering advice to avoid Tylenol products until the safety of the product was assured.
3. **Tamper-Resistant Packaging:** Johnson & Johnson developed tamper-proof packaging, including foil seals and childproof lids, to prevent future tampering. This innovation became the standard for many pharmaceutical products and helped restore public trust in product safety.
4. **Rebuilding Trust:** Tylenol reentered the market with a marketing campaign that emphasized the new safety features and the company's commitment to customer well-being.

#### Impact and Legacy

The Tylenol crisis reshaped both **public expectations of corporate responsibility** and **industry standards** for product safety. Johnson & Johnson's ethical and transparent response not only preserved the Tylenol brand but also solidified the company's reputation as an ethical leader. This crisis underscored the importance of **business ethics** and **proactive crisis management**, as companies learned that prioritizing consumer safety and trust is critical for long-term success.

**Example:** The **Volkswagen (VW) emissions scandal**, also known as "Dieselgate," was a major corporate ethics breach that began in 2015. The issue centered around VW's diesel vehicles, which were found to have software that could detect when the car was undergoing emissions testing. When the software sensed a test, it adjusted the vehicle's performance to reduce emissions and meet regulatory standards. However, during regular driving, the software would disable these controls, allowing the car to emit nitrogen oxide pollutants up to **40 times** above the legal limit.

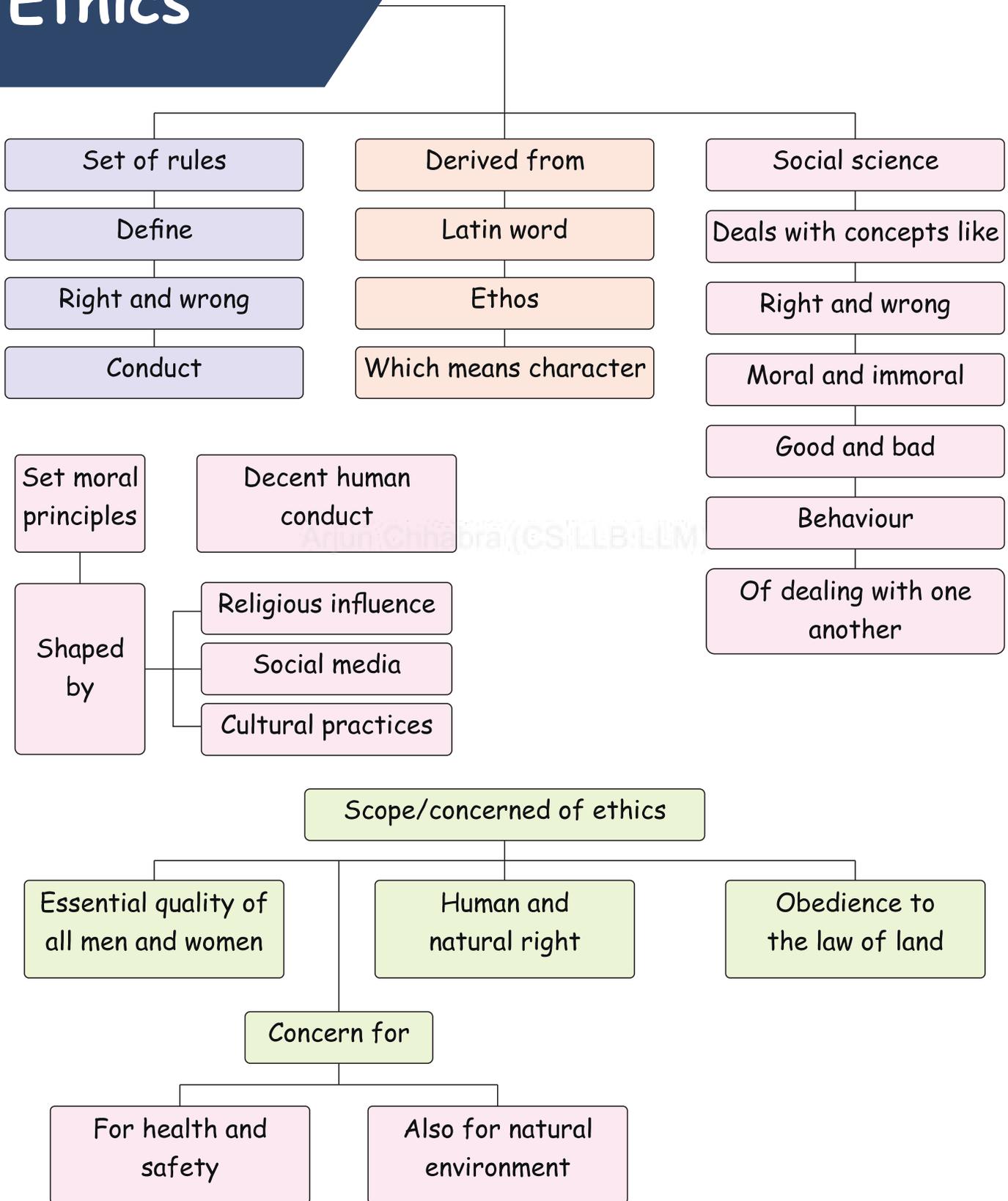
### **Key Aspects of the Scandal**

1. **Intentional Deception:** VW installed this software, known as a "defeat device," in around **11 million cars worldwide**. The purpose was to make the vehicles appear more environmentally friendly than they actually were, giving them a competitive edge in the eco-conscious diesel market.
2. **Discovery and Investigation:** The deception was uncovered by the **International Council on Clean Transportation (ICCT)**, a nonprofit that conducted independent emissions tests in 2014 and 2015. The U.S. Environmental Protection Agency (EPA) and California Air Resources Board (CARB) then conducted further investigations, leading VW to admit to the emissions cheating in September 2015.
3. **Legal and Financial Consequences:** The scandal resulted in massive fines and legal penalties. VW agreed to a settlement costing **over \$30 billion** to cover fines, vehicle buybacks, and environmental remediation costs. Many executives faced criminal charges, and the scandal severely damaged VW's reputation, especially as it had marketed its diesel cars as "clean" alternatives.

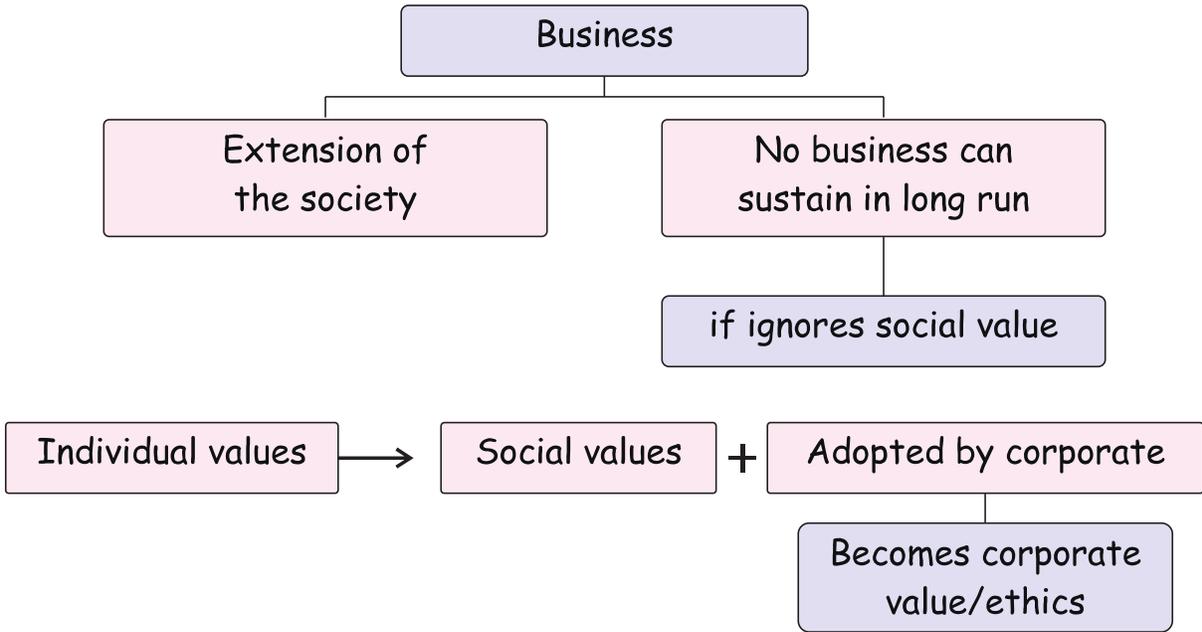
### **Ethical Lessons from Dieselgate**

The VW scandal highlights the importance of **corporate integrity** and transparency in meeting regulatory standards. This case is a significant example of how prioritizing profits over ethics can lead to long-term damage, both financially and reputationally. Following Dieselgate, automakers faced greater scrutiny, and regulatory bodies introduced stricter emissions standards and testing procedures, reshaping the entire automotive industry's approach to environmental compliance.

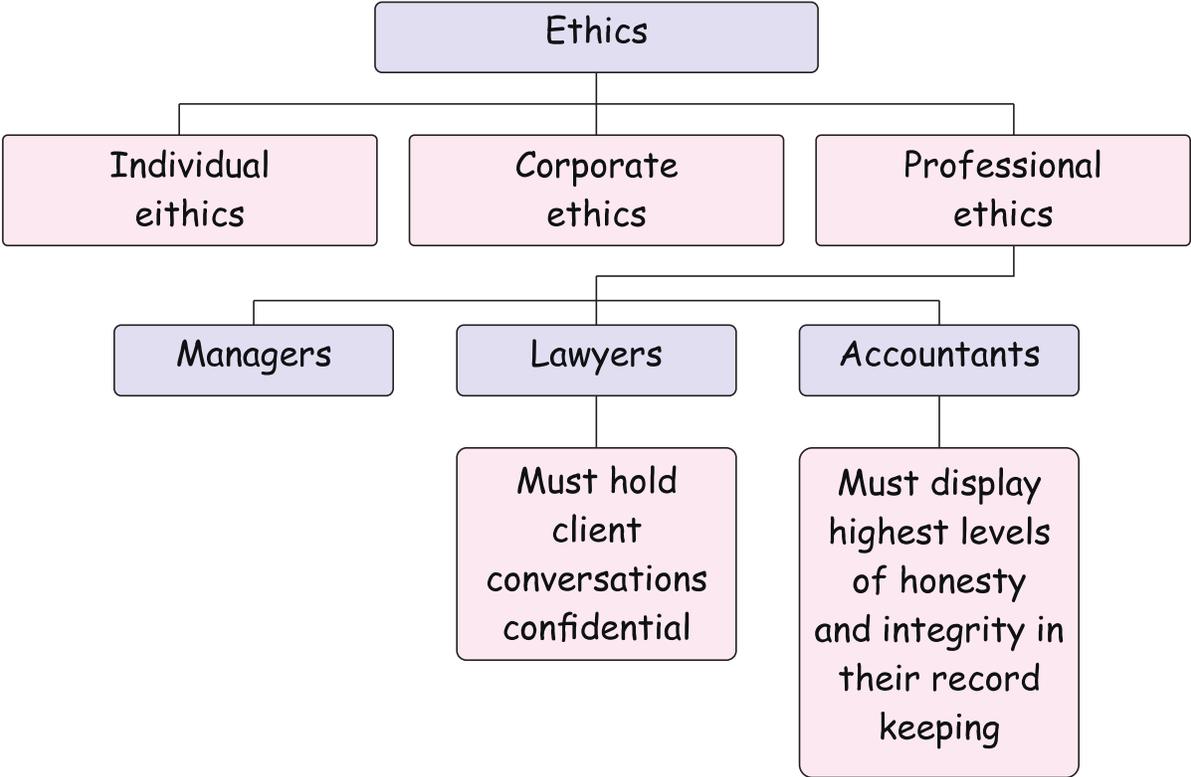
# Ethics



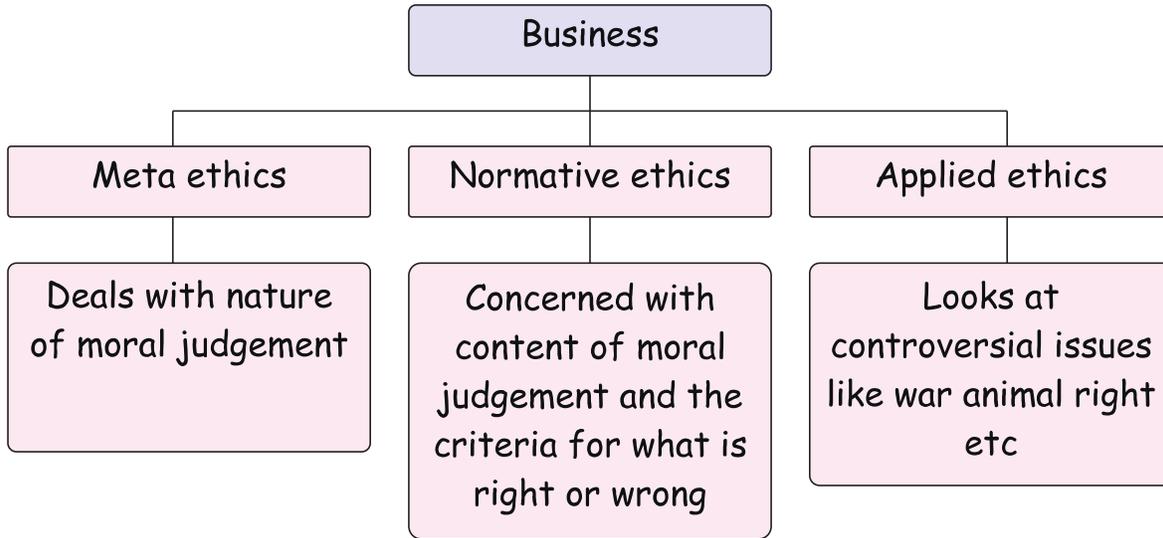
# Ethics in business



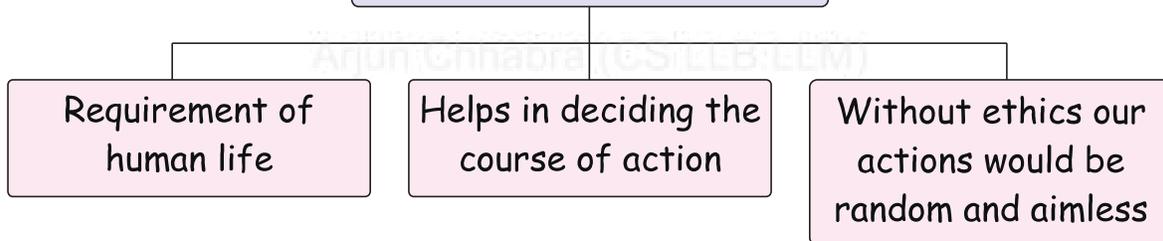
Right and wrong varies from company to company but there are some virtues and value which are universally accepted



## Type of ethics



## Importance of ethics

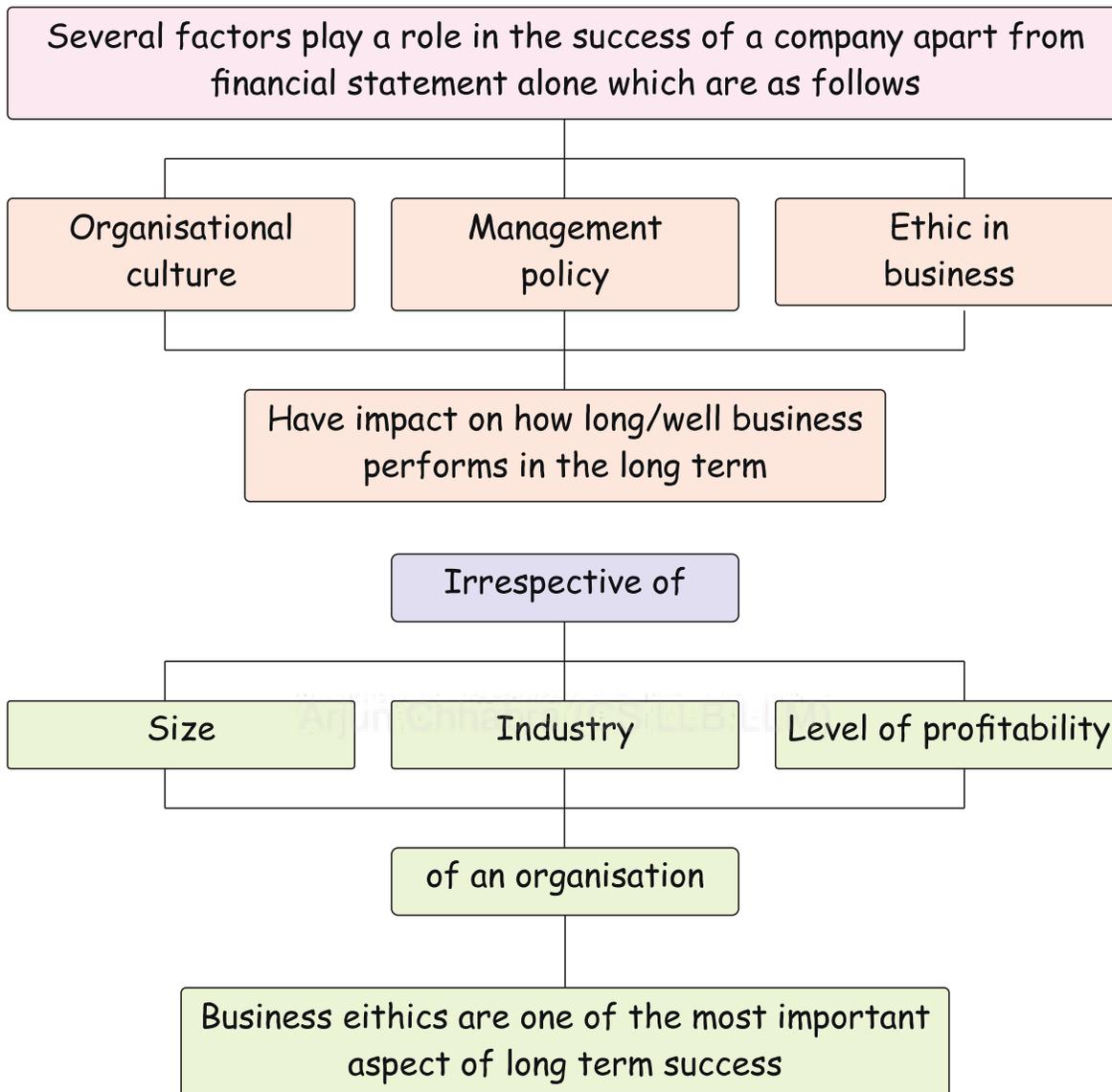


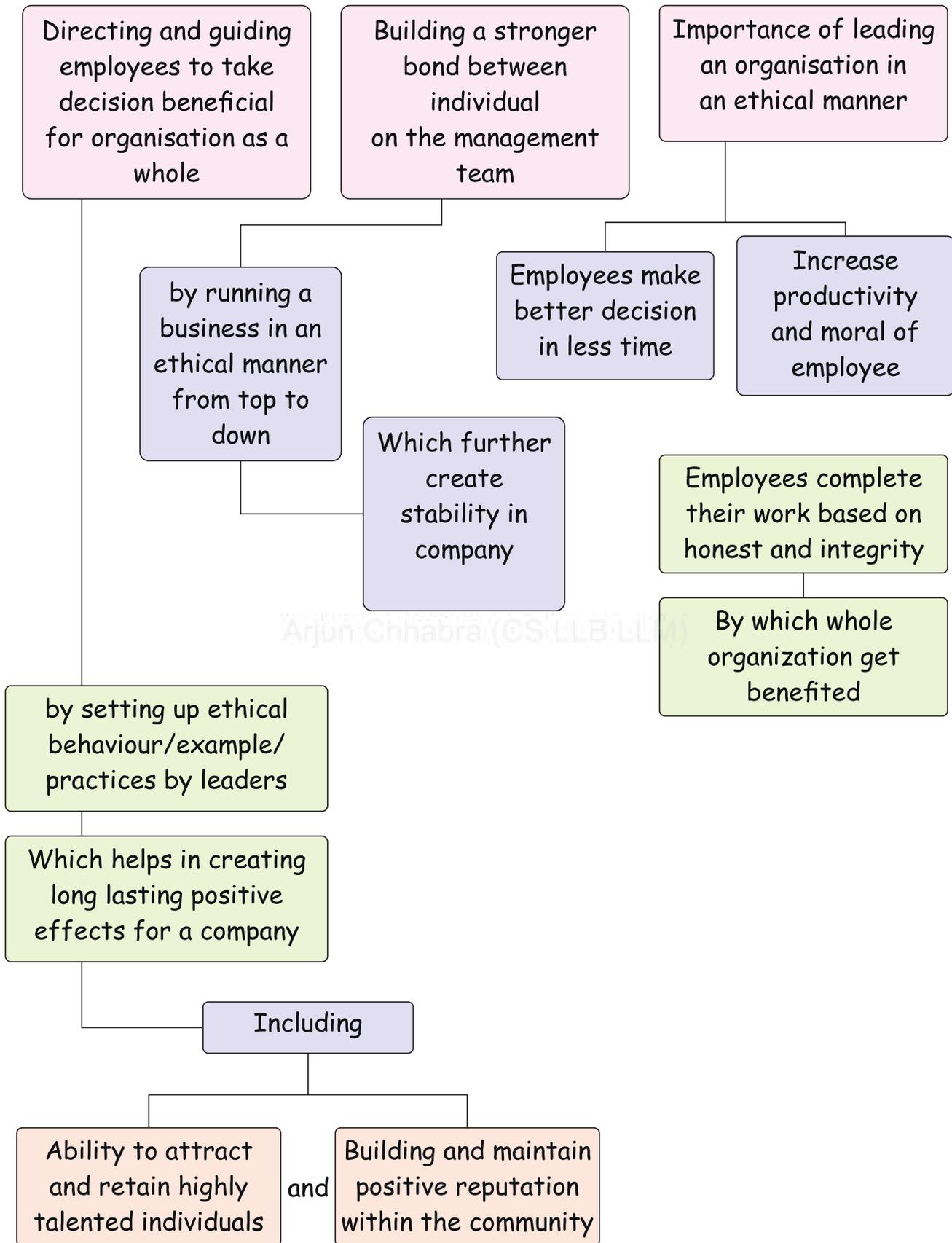
Any flaw in our ethics will reduce our ability to be successful in our endeavours

Ethics must be present not only in emergency situation but the day to day choices we make constantly

It must include our relations to other, and recognize their importance not only to our physical survival, but to our well being and happiness

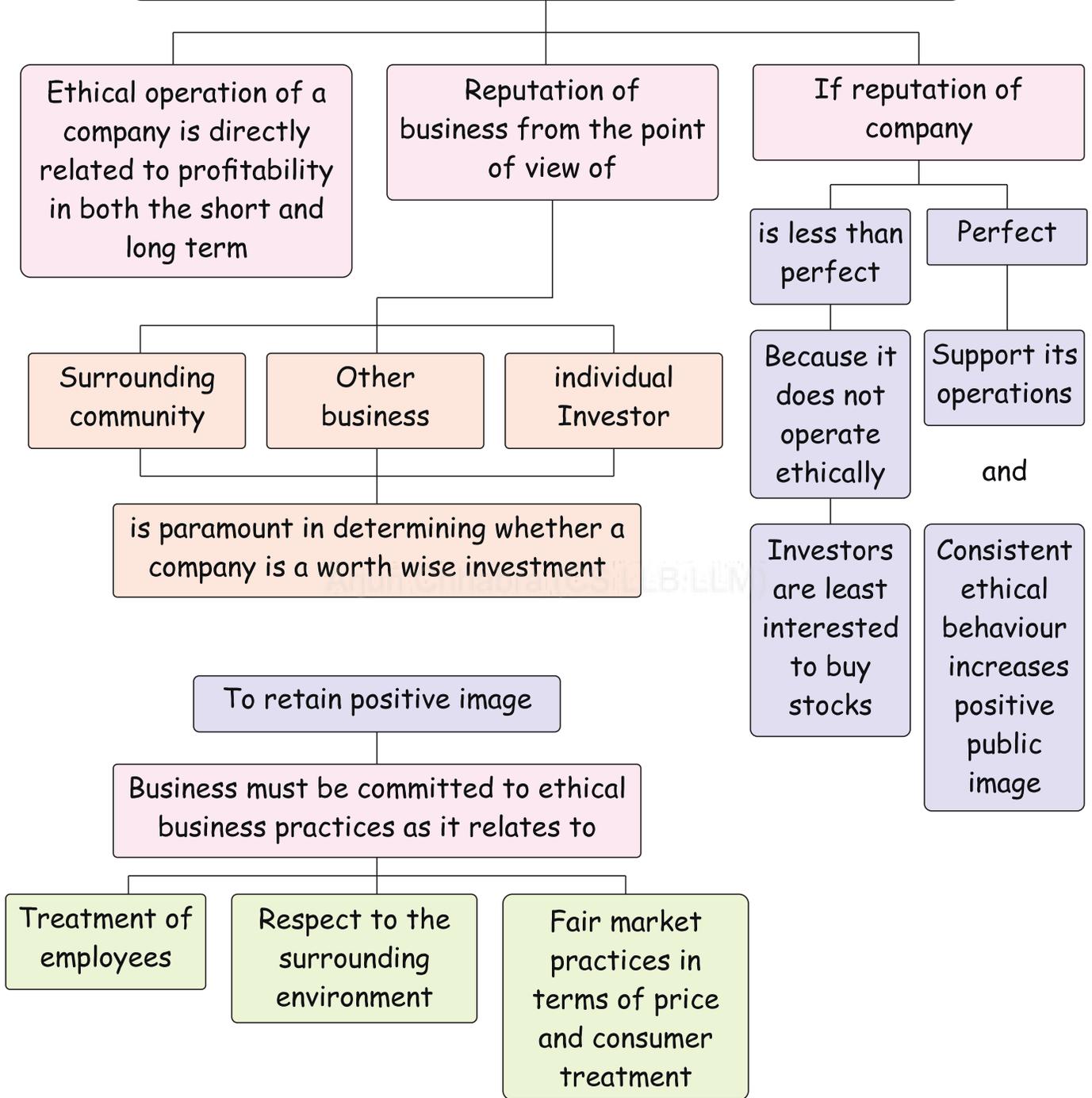
## Ethics - nature and relevance to the business





Arjun Chhabra (@SILBLLU)

## Another important factors of business ethics



## 2. The Seven Principles of Public Life

### 1. Selflessness

Public officials should make decisions based solely on public interest, not for personal gain.

*Example:* A mayor decides to allocate city funds to upgrade a low-income neighborhood's infrastructure instead of approving an expensive beautification project in a high-income area. This choice, based on the needs of the community rather than personal or political gains, reflects selflessness.

### 2. Integrity

Public officials should avoid conflicts of interest and refrain from actions that could benefit them personally.

*Example:* A government regulator overseeing the energy sector declines an invitation to attend an all-expenses-paid event hosted by an energy company to avoid any perception of bias. Instead, they opt to maintain impartiality to safeguard the public trust.

### 3. Objectivity

Public officials should make decisions impartially and based on merit, using evidence without discrimination or bias.

*Example:* A civil service hiring manager evaluates candidates solely based on qualifications, experience, and interview performance, rather than personal connections or external pressures, ensuring fairness in recruitment.

### 4. Accountability

Public officials are responsible for their actions and decisions and should be willing to face scrutiny.

*Example:* A school board member who voted on budget allocations attends a community meeting to explain their decision, answer questions, and address any concerns raised by parents and community members, demonstrating accountability to the public.

### 5. Openness

Public officials should conduct their work transparently and provide access to information unless legally required to withhold it.

*Example:* A city council regularly publishes detailed meeting agendas and minutes online, making their discussions and decisions available to the public. They also provide explanations for any confidential decisions, upholding openness.

### 6. Honesty

Public officials should be truthful in their communication and conduct.

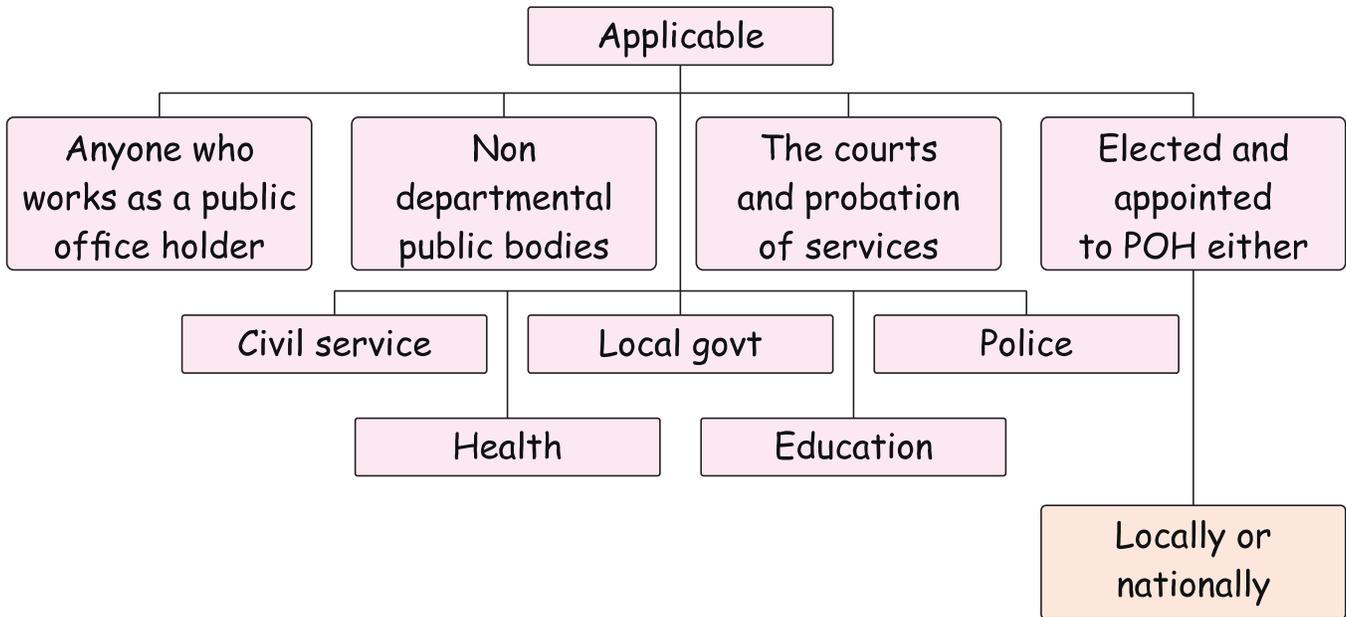
*Example:* During a press conference, a health official acknowledges a recent oversight in data reporting instead of concealing it, explaining the steps they're taking to correct it. This honesty fosters public confidence in the health department's transparency.

### 7. Leadership

Public officials should demonstrate these principles in their actions and encourage others to do the same, challenging unethical behavior.

*Example:* A senior government leader notices that a colleague is misusing public funds and reports the behavior to the appropriate oversight body, demonstrating leadership by upholding ethical standards and reinforcing accountability.

**SEVEN PRINCIPLES OF PUBLIC LIFE BY LORD NOLAN [1995]**

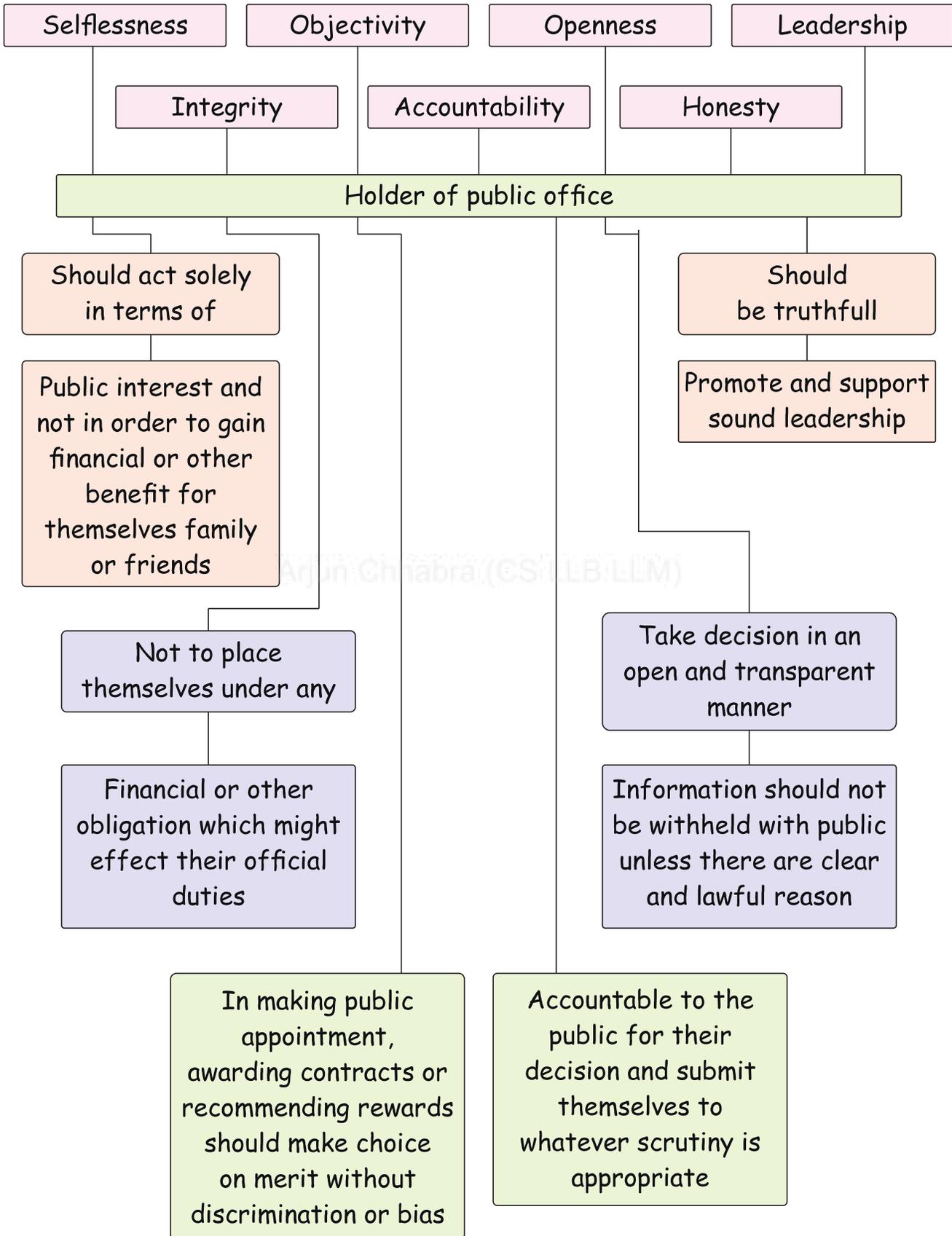


The British govt appointed a committee called as committee on standards in public life [1994] to advise the prime minister on ethical standards of public life to

Examine current issue about standard of conduct of all POH including arrangement relating to financial and commercial activities

Make recommendations as to any changes in present arrangement which might be required to ensure the highest standard of propriety in public life

**SEVEN PRINCIPLES OF PUBLIC LIFE AS ON 2015.**



### 3. The Relationship between Ethics and Law

- Laws and ethics **both serve similar purposes of guiding human conduct** to make it conducive to civilized social existence.
- They **enforce a sense of right and wrong**.
- **Laws** refer to the **set of codified norms** which are **enforced by the state**.
- They act as **external obligations**.
- On the other hand, **ethics** refer to the **set of norms** which **guide our internal compass** and **judgements**.
  
- While **laws apply uniformly to all**,
- **ethics** can **vary from person to person**, and they **change more frequently** than laws.
- In case of a **breach of law**, the **state** is within its **right to punish**.
- On the other hand, **ethics** are generally **not enforceable**.
  
- The **relationship** between **laws and ethics** is a **complex** one.
- **Many laws are representative of ethics** of the time and have been shaped by what is considered ethical.
- The idea that **everyone is equal before law** is **derived from the value that human is born equal**.
- At the same time, laws have shaped ethics. They have been used to counter regressive doctrines.
  
- From the above we can say that **laws alone are not enough to promote ethical behaviour**. Laws can **never be so exhaustive** to cover each and every scenario possible.
- Hence, there will **always be scope for discretion**. In such scenarios, ethical behaviour should come from within.
  
- There are many scenarios where laws cannot exist, as we cannot have strict laws to scrutinize every small act of corruption.
- Even with laws, some unethical practices continue to exist such as violence against women.
- Laws and ethics are equally important and go hand in hand.

#### Example

##### **Example of Laws Reflecting Ethics: Anti-Discrimination Laws**

Consider **anti-discrimination laws** that mandate equal treatment regardless of race, gender, or religion. These laws stem from the ethical belief that everyone is inherently equal and deserves respect. For instance, **Title VII of the Civil Rights Act** in the United States prohibits employment discrimination. This law reflects the ethical value of equality and fairness and serves to enforce it uniformly across society. However, while the law can prohibit discrimination, ethical commitment is needed for individuals and companies to actively foster diversity and inclusion beyond compliance.

##### **Example of Ethics Going Beyond the Law: Environmental Responsibility**

In many countries, **environmental protection laws** exist to regulate pollution and waste. Yet, companies like **IKEA** and **Unilever** go beyond legal requirements by adopting sustainable practices, such as using recycled materials or reducing carbon emissions. This reflects ethical responsibility, as these companies are motivated by a commitment to protect the environment, even in cases where no legal requirement exists. Laws can set a baseline for environmental protection, but ethics can inspire actions that exceed legal obligations.

##### **Examples of Laws Representing Ethics of the Time**

1. **Abolition of Slavery:** The abolition of slavery in the 19th century reflected the ethical stance that all humans deserve freedom and equality. While slavery was once legally accepted,

changing ethical beliefs about human rights and dignity led to the passage of laws abolishing it, such as the **13th Amendment** to the U.S. Constitution in 1865. This law was grounded in the ethical belief in universal human rights and equality.

2. **Universal Suffrage:** For many years, voting rights were restricted to certain groups, such as landowners or men. The eventual granting of suffrage to women and minority groups through laws (such as the **19th Amendment** in the U.S. in 1920, granting women the right to vote) was based on the ethical principle of equality. These laws reflected a growing societal recognition that all individuals should have a voice in governance.

#### **Examples of Laws Shaping Ethics and Countering Regressive Norms**

1. **Anti-Child Labor Laws:** In the 19th and early 20th centuries, child labor was common, and it was often seen as a necessary part of industrial society. However, laws such as the **Fair Labor Standards Act** in the U.S. (1938) prohibited child labor and set minimum age requirements, reflecting an ethical shift toward protecting children's rights. These laws redefined societal values, helping society recognize that child labor was exploitative and ethically wrong.
2. **Environmental Protection Laws:** Historically, industries freely discharged pollutants into air and water without concern for environmental impact. Laws like the **Clean Air Act** and **Clean Water Act** in the U.S. were introduced in the 1970s, emphasizing the ethical responsibility to protect the environment. Over time, these laws shaped societal ethics, creating a new standard where environmental conservation is viewed as an ethical duty, leading to greater personal and corporate environmental responsibility.

#### **Example:**

Everyday acts of minor dishonesty—such as inflating expense claims, using company resources for personal use. For example, if an employee claims a slightly higher reimbursement than the actual expense, it may not be worth legal action, yet it's an unethical act. Here, personal ethics are essential to ensure honesty in situations where the law might be ineffective or impractical.

For instance, while laws may set minimum wages and maximum working hours, they cannot enforce respect, empathy, or kindness among colleagues and managers.

## 4. Business Ethics and its Relevance to Business

- A business code of ethics is a body of policies based on laws and values that a company wants all employees to adhere to.
- Different types of industries have differing regulatory requirements that partially govern a company's code of ethics.
- All companies can set their own value-based policies as part of the company brand.

### Promoting Green Business Practices

- Another value-based code of ethics topic is **promoting green and environmentally sounds business practices**.
- This often includes **limiting paper consumption** but also has to do with recycling, waste disposal and the types of products a company uses to reduce its carbon footprint.
- That same cleaning company could require that all products follow specific environmental standards of safety for people, pets and the environment.

### **Examples of Green Business Practices in a Code of Ethics**

#### **1. Reducing Paper Consumption**

**Example:** A company like **Google** has adopted a paperless initiative in its offices by digitizing documents and using cloud storage, which drastically reduces paper waste.

#### **2. Recycling Programs**

**Example:** **Patagonia**, an outdoor clothing company, has a strong focus on sustainability. It operates a recycling program where customers can return old Patagonia products for recycling and reuse. This program aligns with Patagonia's ethical commitment to minimizing waste.

#### **3. Eco-Friendly Product Standards**

**Example:** A cleaning company, like **Seventh Generation**, uses non-toxic, biodegradable cleaning products that are safer for the environment and consumers. Their products avoid harmful chemicals and meet stringent environmental standards.

#### **4. Waste Disposal Policies**

**Example:** **Apple** has a rigorous e-waste disposal policy, recycling used devices and components through its Apple Trade-In program. This helps reduce electronic waste and encourages customers to return old devices rather than dispose of them improperly.

#### **5. Energy Efficiency and Carbon Reduction Initiatives**

**Example:** **Microsoft** has pledged to become carbon negative by 2030, focusing on reducing its carbon emissions through energy-efficient data centers and renewable energy sources.

### **Benefits of Integrating Green Practices into a Code of Ethics:**

- Enhances the company's brand as environmentally conscious.
- Reduces operational costs by conserving resources like paper, electricity, and water.
- Attracts eco-minded customers and employees who prioritize sustainability.

### Obeying the Law

Obeying the law is a code of ethics subject that seems as if you shouldn't need to state it. However, finding out that employees have broken the law either during or after work can affect a company's brand.

### **Caring and Consideration Policies**

- Consumers often feel that businesses are just in it for the money and a quick sale.
- They are inundated with sales pitches all day long.
- As part of its code of ethics, your company could establish, that employees conduct business in a caring, considerate manner.
- Think about a home-care provider who is working with senior citizens and their loved ones; treating the patient and family in a way that demonstrates care can greatly increase the ability to get new clients.
- This type of value-based code of ethics is a topic that employers should explain clearly in the document and to train employees as to what the expectations are for being a caring, considerate employee.

### **Confidentiality and Privacy Policies**

- In recent years, many companies and agencies have fallen prey to hackers stealing client information or proprietary data.
- One code of ethics section can require that employees maintain confidentiality when handling customers' personal or private information.
- Also include a similar policy that relates to the company secrets.
- Privacy policies are more than something you should do as a business owner, they are now regulated and required by law when any company collects personal and private information. Train employees on best practices to keep personal information out of the hands of the bad guys.

#### **Example:**

A bank employee is trained to never discuss a customer's financial situation with anyone outside the company, including family members, unless authorized by the customer. If an employee violates this confidentiality, they could be terminated or face legal action.

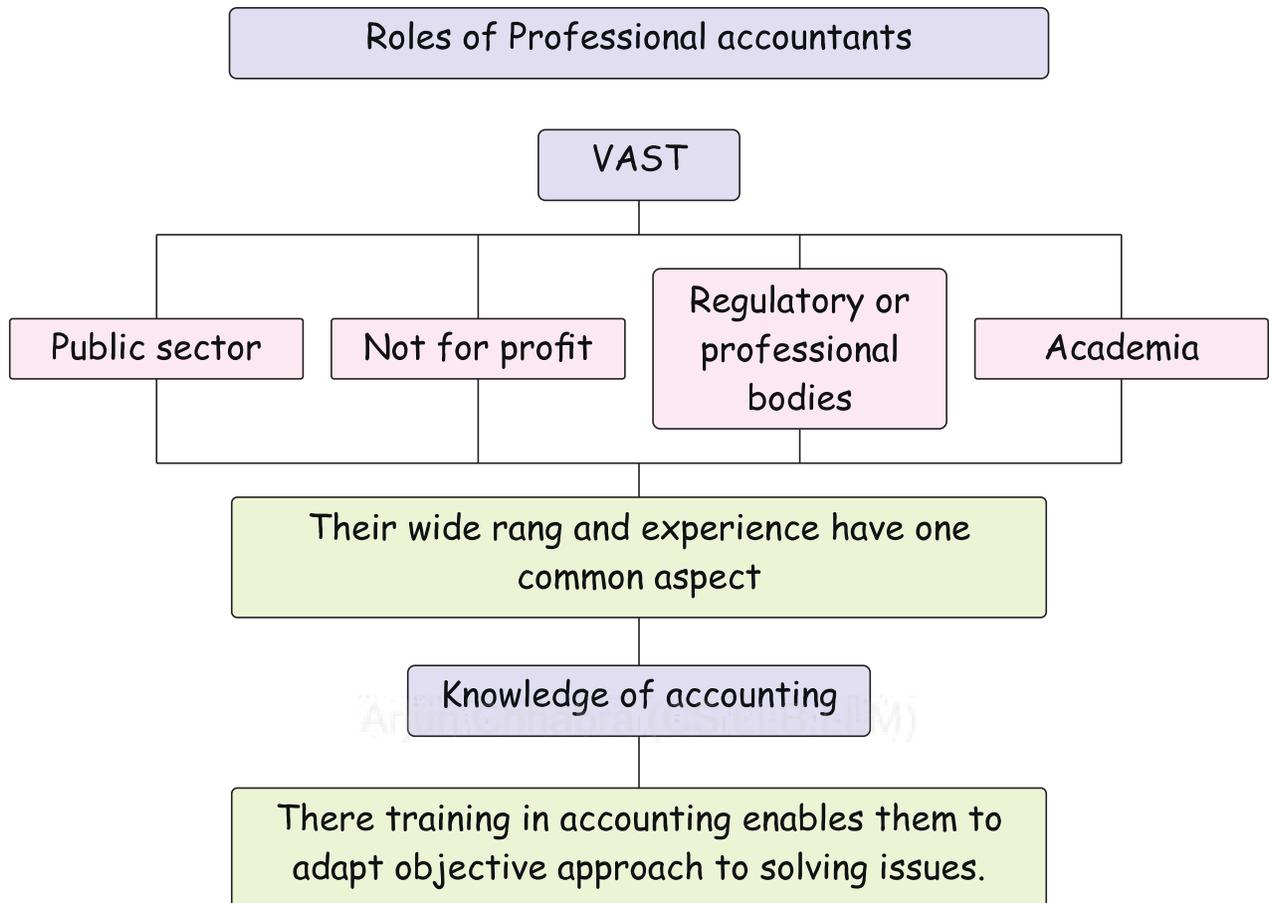
### **Professional Appearance Policies**

- Your company may have a dress code or dress policy.
- This could include a uniform shirt for service providers,
- a suit and tie for account representative or business casual for Fridays.
- What a person wears is part of the value-based code of ethics section.
- You could also state that you want employees' clothing to be clean and pressed;
- a cleaning service coming into someone's home appears more professional when the employees show up wearing company shirts that are clean and wrinkle-free.

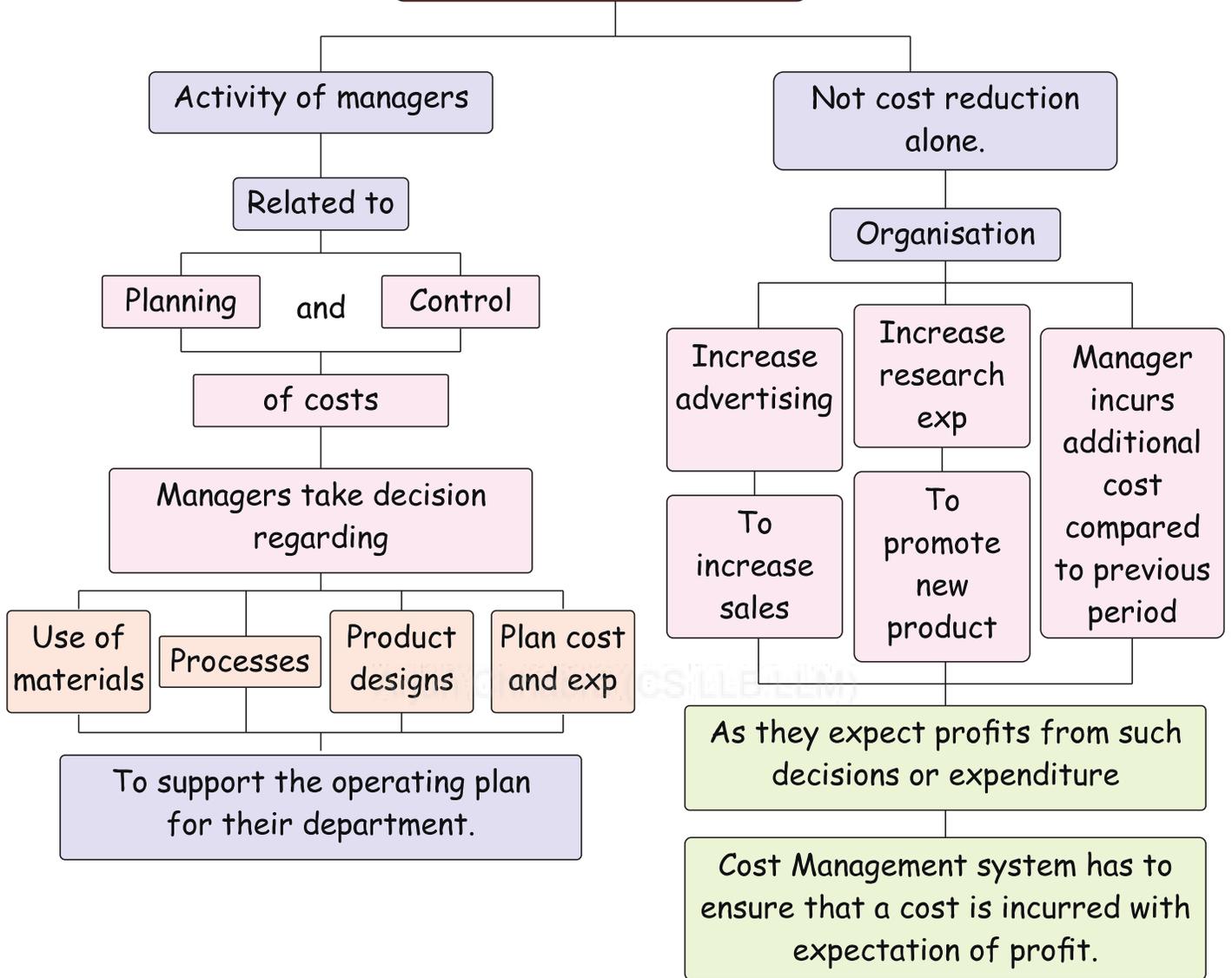
## ***5. Values and Attitudes of Professional Accountants***

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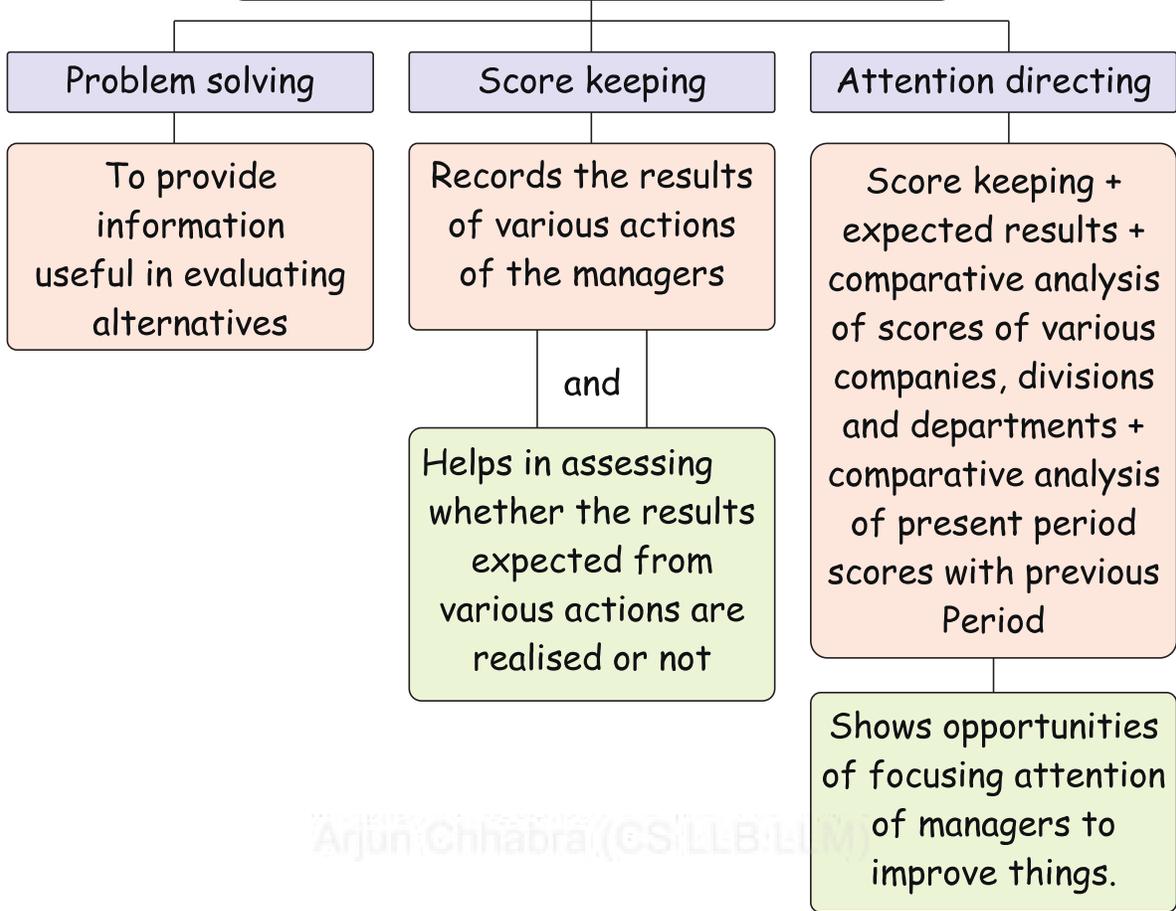
## Values and attitudes of professional accountants



# Cost management

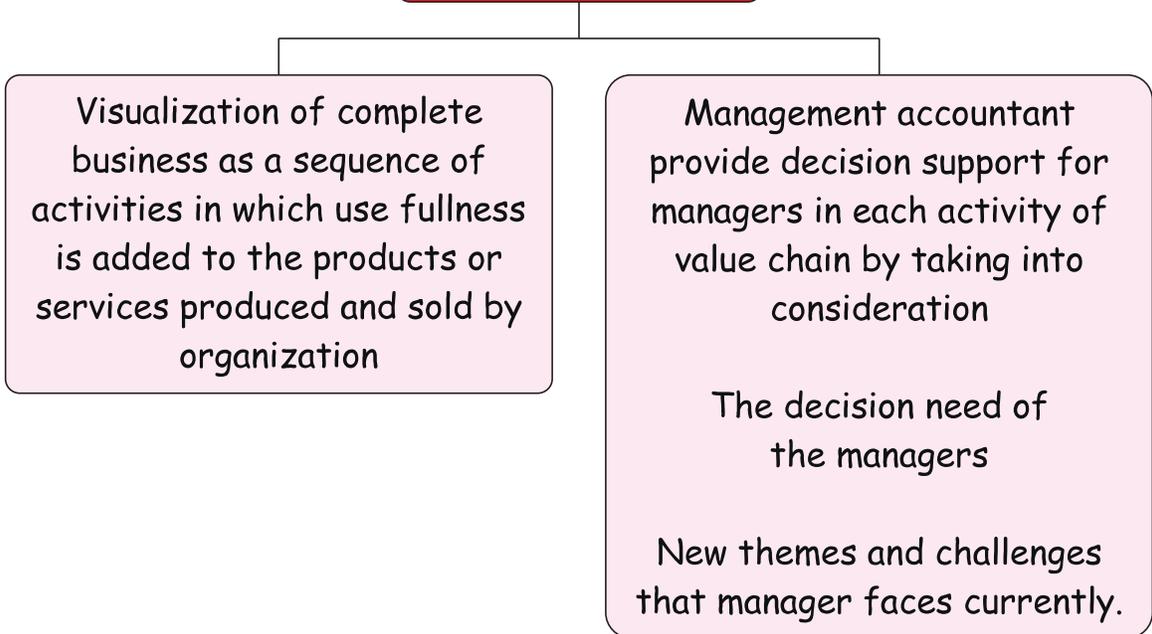


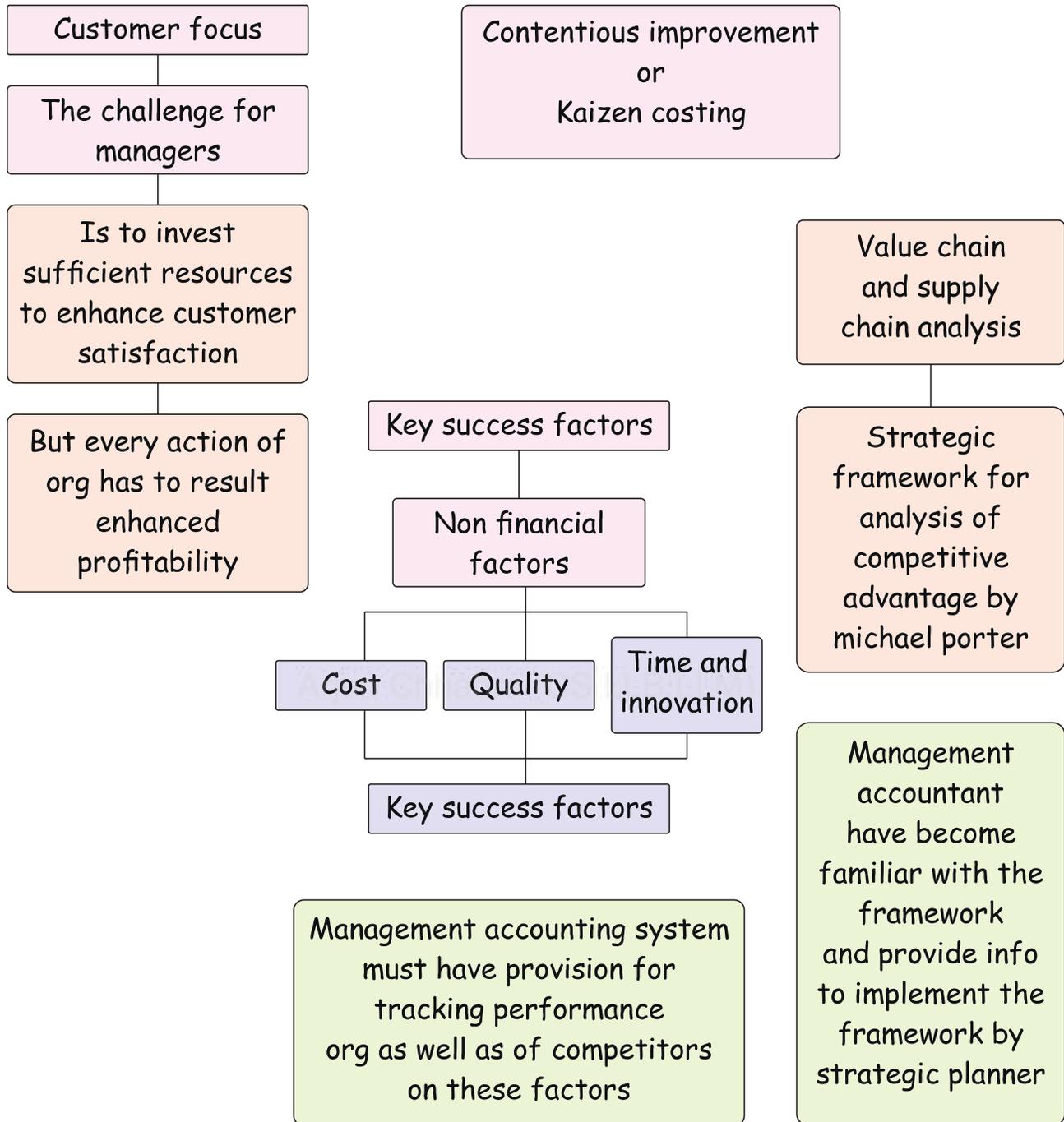
## Role of management accounting



Arjun Chhabra (CS/LLB)

## Value chain





## **Mission statement of The Institute of Cost Accountants of India**

The ethical standards outlined for practitioners focus on integrity, objectivity, confidentiality, professionalism, and competence. Here's how these standards might apply in real-world scenarios:

### **1. Independence of Thought and Action**

Practitioners should maintain objectivity and avoid situations that could impair their independence.

*Example:* A cost accountant is preparing a report for a company but is approached by a friend working in the company's sales department who suggests certain numbers be adjusted to reflect higher profits. The accountant declines, choosing to report the figures accurately and objectively, preserving their independence.

### **2. Assessing Objectivity in Opinions on Financial Reports**

Before giving an opinion, a practitioner should ensure that their relationship with the client will not compromise objectivity.

*Example:* A consultant who has a financial stake in a client's company avoids conducting an audit for the same client, as this financial interest could bias their assessment. Instead, they recommend a colleague who can approach the task with impartiality.

### **3. Disclosure of Material Facts**

All relevant information should be disclosed to avoid misleading statements.

*Example:* A financial analyst realizes that the projected costs provided to a client exclude critical expenses. To ensure transparency, the analyst updates the report, including these omitted expenses, and clarifies the changes in an addendum.

### **4. Confidentiality**

Practitioners should not disclose client information unless required by law or in specific professional situations.

*Example:* A consultant working with a client on a new product line does not share any product details outside the project, even with other clients in similar industries, ensuring that the client's information remains confidential.

### **5. Disclosure of Business Connections or Interests**

Practitioners should inform clients of any connections that may present a conflict of interest.

*Example:* An auditor engaged to review a company's accounts informs the company that they are also providing consulting services to a subsidiary. This transparency helps the client decide if this connection might affect objectivity.

### **6. Prohibition of Unauthorized Fees or Benefits**

Practitioners should only receive fees with the employer's or client's knowledge.

*Example:* An accounting consultant offered a personal incentive by a vendor to recommend their services declines the offer and informs their client to avoid any perception of bias in their recommendations.

### **7. Clear Engagement Scope and Cost Estimate**

Practitioners should establish clear terms and costs for their work before beginning.

*Example:* A management consultant, when hired for a project, outlines a detailed project scope and estimated costs in the initial contract. The client is informed of all costs upfront, helping prevent misunderstandings.

### **8. Courtesy and Good Faith Toward Other Members**

Practitioners should conduct themselves respectfully toward fellow members.

*Example:* A practitioner disagreeing with another member's analysis in a report does so professionally, focusing on facts and providing constructive feedback rather than criticizing the member personally.

### **9. Avoid Reviewing Another's Work Without Consent**

If reviewing a colleague's work, the practitioner should ensure that the original practitioner is aware.

*Example:* An internal auditor reviews financial reports previously prepared by a peer only after informing them, ensuring transparency in the review process.

### **10. No Commissions to Gain Work**

Practitioners should not pay or accept commissions to secure engagements.

*Example:* An accountant approached by a client offering a commission for prioritizing their project declines, as accepting it would compromise professional ethics.

### **11. Avoid Malicious Conduct**

Practitioners should not engage in actions that could damage the reputation of another member or the profession.

*Example:* When asked about a competitor's practice, a practitioner chooses to comment only on the strengths of their own services, avoiding negative remarks that could damage the other's reputation.

### **12. Maintain Competence Standards**

Practitioners should stay up-to-date with their skills and knowledge, as per the Institute's standards.

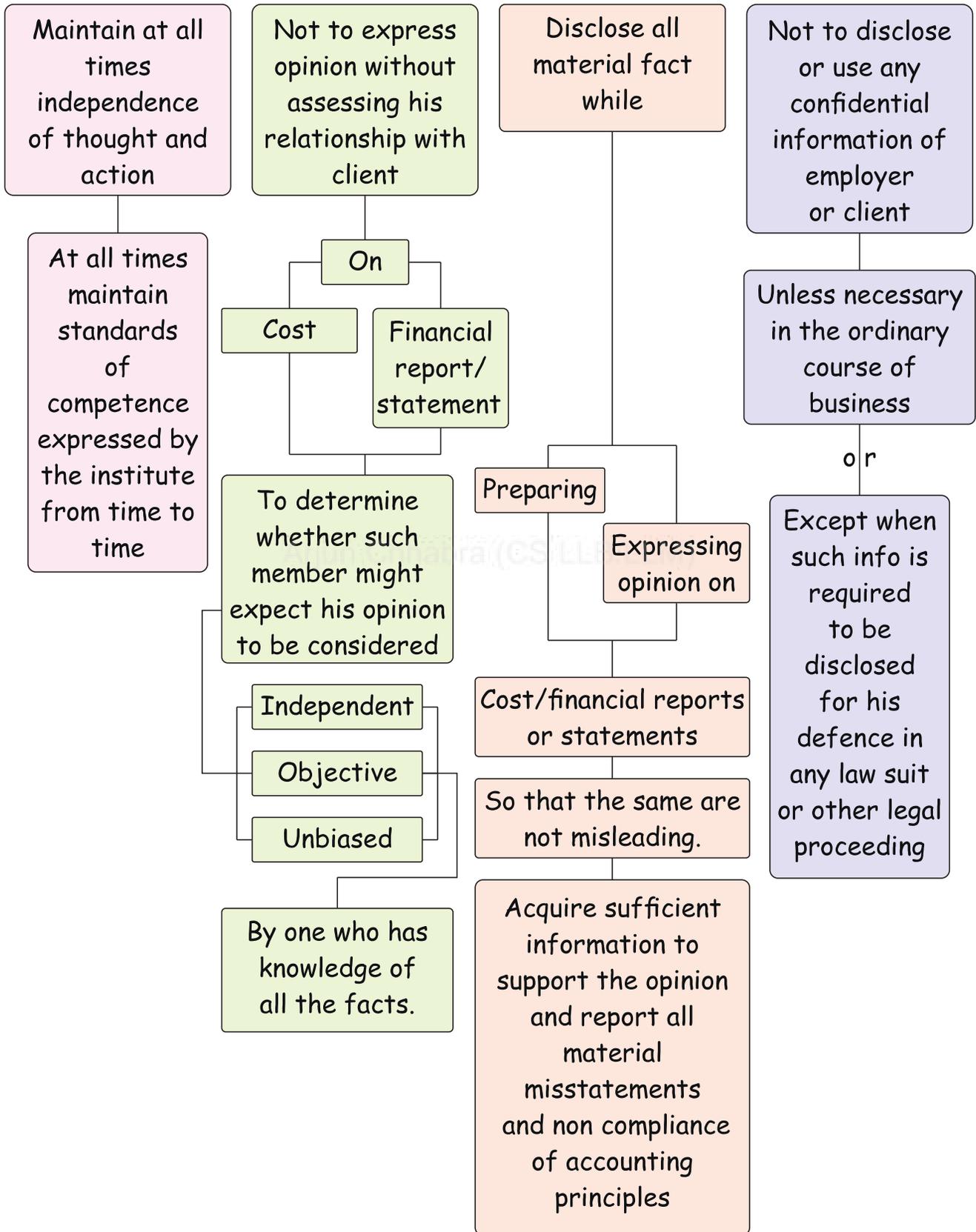
*Example:* A financial consultant regularly attends professional development workshops to stay informed on the latest accounting regulations and practices.

### **13. Accepting Only Competent Work**

Practitioners should accept work only if they are qualified to perform it or advise hiring specialists when needed.

*Example:* A cost accountant, recognizing that a project involves specialized tax knowledge outside their expertise, advises the client to engage a tax expert, ensuring the client receives accurate and specialized advice.

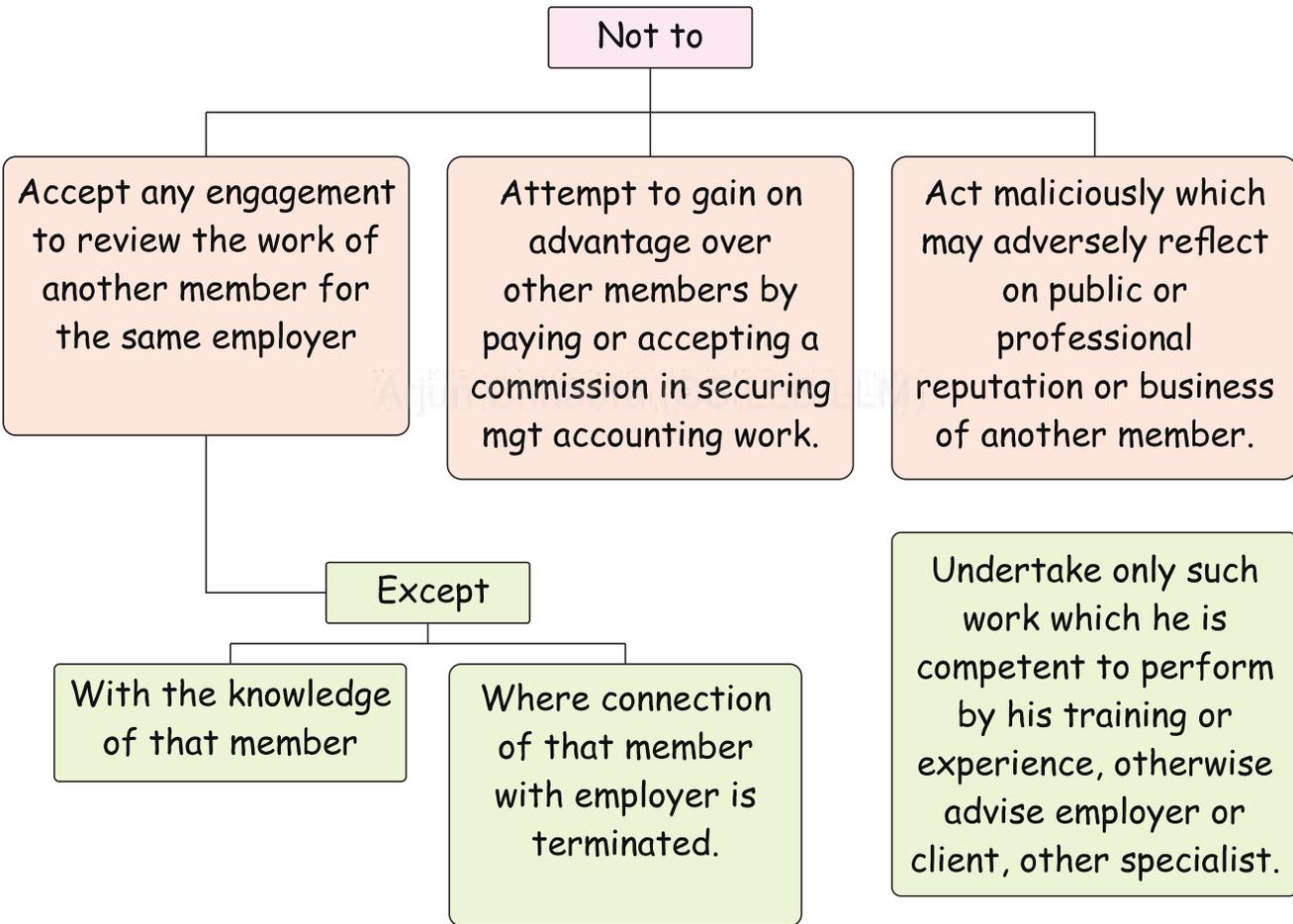
# ETHICAL CONDUCT FOR PRACTITIONERS



Inform the employer or client any business connection or interest which he reasonably expect to be informed.

Not to hold, receive, bargain, or acquire any fee, remuneration or benefit on behalf of employer or client without his knowledge and consent.

Conduct himself or herself towards other members with courtesy and good faith.



## ***6. Primary Norms of Business Ethics: Honesty, Accountability etc., the Application in Decisions Regarding Employers, Finance and Trading***

**Personal responsibility:** Each person who works for a business, whether on the executive level or the entry-level, will be expected to show personal responsibility. This could mean completing tasks you manager has assigned to you, or simply fulfilling the duties of your job description. If you make a mistake you acknowledge your fault and do whatever you need to do to fix it.

### ***Example***

**Example:** A marketing manager is tasked with launching a new advertising campaign. The manager ensures that all aspects of the campaign—such as scheduling, budgeting, and creative approval—are handled efficiently. If an aspect of the campaign, such as a social media post, is delayed due to the manager’s oversight, they would take responsibility, communicate with the team, and work to get the post live as soon as possible.

**Example:** A junior accountant accidentally enters incorrect data into the company’s financial records. Instead of ignoring the mistake or hoping no one notices, they immediately inform their supervisor, correct the error, and review their work to ensure it won’t happen again. This shows accountability and commitment to maintaining accuracy.

**Corporate responsibility:** Businesses have responsibilities to their employees, their clients or customers, and, in some cases, to their board of directors. Some of these may be contractual or legal obligations, others may be promises, for example, to conduct business fairly and to treat people with dignity and respect. Whatever those obligations are, the business has a responsibility to keep them.

### ***Example***

**Responsibility to Employees:** A tech company promises to offer health insurance, paid time off, and a safe workspace to all employees. If the company fails to provide these benefits, it not only violates legal obligations but also damages employee morale. For instance, if an employee is injured at work, the company must provide worker’s compensation as required by law, showing its commitment to employee well-being.

**Responsibility to Clients/Customers:** A car manufacturer promises a five-year warranty on all vehicles. If a customer’s car experiences a defect within that period, the company must honor the warranty and fix the issue without additional cost. If the company fails to meet this obligation, it could face legal action, damage to its reputation, and loss of customer loyalty.

**Responsibility to Board of Directors:** A publicly traded company’s CEO is required to disclose all material financial information to the board of directors so they can make informed decisions regarding the company’s direction. If the CEO withholds financial information or engages in fraudulent practices, they breach their duty to the board and shareholders, potentially facing legal consequences and loss of trust.

**Responsibility to Society and the Environment:** For instance, the company might have to prove that its suppliers are not using child labor or causing significant environmental damage.

**Fair Treatment and Dignity in Business Practices:** A corporation may establish an internal policy to prevent workplace discrimination based on gender, race, or sexual orientation. If an employee feels they have been discriminated against, the company should have clear, transparent processes in place to investigate and resolve such issues. Not adhering to this promise can result in lawsuits, loss of employee trust, and public criticism.

**Corporate Social Responsibility (CSR):** A corporation might decide to allocate a portion of its profits to local community projects or support education through scholarships. By keeping these promises, the company improves its public image and fosters goodwill in the community.

**Loyalty:** Both businesses and their employees are expected to show loyalty. Employees should be loyal to their co-workers, managers, and the company. This might involve speaking positively about the business in public and only addressing personnel or corporate issues in private. Customer or client loyalty is important to a company not only to maintain good business relations but also to attract business through a good reputation.

### *Example*

**Employee Loyalty to the Company:** An employee at a tech startup has concerns about recent policy changes but addresses these concerns in a private meeting with their manager, rather than airing grievances publicly. By handling it discreetly, they show loyalty to the company and a willingness to resolve issues internally without damaging the company's public image.

**Employee Loyalty to Coworkers and Managers:** A team member notices a mistake in a report prepared by a colleague. Instead of pointing it out in a group meeting, which could embarrass the colleague, they bring it to the colleague's attention privately and offer to help correct it. This shows loyalty to the colleague, as it maintains trust and fosters a positive team spirit.

**Customer Loyalty to the Business:** A coffee shop builds customer loyalty by offering a rewards program for frequent visitors, high-quality products, and friendly service. Customers who feel valued and enjoy their experience are likely to return, becoming loyal patrons who also bring friends and family.

**Company Loyalty to Customers:** A software company has a policy to resolve customer complaints within 24 hours and provide regular updates on any technical issues. When a client's system experiences downtime, the company quickly addresses the problem, keeps the client informed, and compensates for the inconvenience. This responsiveness and commitment foster customer loyalty.

**Company Loyalty to Employees:** During an economic downturn, a company decides to cut executive bonuses rather than lay off entry-level employees. This decision shows loyalty to employees, as it demonstrates the company's commitment to job security and fairness, which in turn fosters employees' loyalty toward the company.

**Respect:** Respect is an important business ethic, both in the way the business treats its clients, customers and employees, and also in the way its employees treat one another. When you show respect to someone, that person feels like a valued member of the team or an important customer. You care about their opinions, you keep your promises to them, and you work quickly to resolve any issues they may have.

### *Example*

**Respect Towards Employees:** In a team meeting, a manager actively listens to each employee's suggestions and acknowledges good ideas, encouraging them to contribute more. This recognition helps employees feel respected and valued, leading to a more engaged and productive team.

**Respect Among Employees:** A team member working on a project needs additional time to complete their part. Instead of being critical, a colleague offers assistance to help meet the deadline. This respect for each other's work and challenges fosters a positive team dynamic and strengthens collaboration.

**Respect Towards Customers and Clients:** A customer calls a retail store with a complaint about a defective product. Instead of dismissing the issue, the store representative listens patiently, apologizes for the inconvenience, and offers a replacement or refund. The customer feels respected, and this respectful treatment strengthens the store's reputation for good customer service.

**Trustworthiness:** A business cultivates trustworthiness with its clients, customers and employees through honesty, transparency and reliability. Employees should feel they can trust the business to keep to the terms of their employment. Clients and customers should be able to trust the business with their money, data, contractual obligations and confidential information. Being trustworthy encourages people to do business with you and helps you maintain a positive reputation.

### Example

**Trustworthiness in Employee Relations:** A company promises to provide a year-end bonus if specific targets are met. After the targets are reached, the company follows through with the promised bonus. This reliability builds trust, motivating employees to work harder, knowing the company keeps its word.

**Trustworthiness with Clients and Customers:** An online retailer accurately describes product features and delivers products within the promised time frame. If there's a delay, they promptly inform the customer and offer a solution, like a discount or a refund option. This transparency builds customer trust and loyalty.

**Trustworthiness in Handling Data and Confidential Information:** A financial services company uses advanced encryption and multi-factor authentication to protect clients' financial data. They also train employees on data security practices. Knowing their information is secure builds client trust, and they feel confident in continuing to use the company's services.

**Trustworthiness in Contractual Obligations:** A construction company signs a contract with a client to complete a project by a specific date. Despite facing unexpected challenges, the company dedicates additional resources to ensure the project is completed on time. By fulfilling its contractual obligations, the company builds a reputation for reliability and professionalism.

**Trustworthiness Through Transparent Communication:** A tech company releases a software update that inadvertently causes issues for some users. Instead of ignoring the problem, the company quickly notifies users, explains the cause, and provides a timeline for a fix. This transparency reassures customers and preserves the company's trustworthiness, even in difficult situations.

**Fairness:** When a business exercises fairness, it applies the same standards for all employees regardless of rank. The same expectations with regard to honesty, integrity and responsibility placed upon the entry-level employee also apply to the CEO. The business will treat its customers with equal respect, offering the same goods and services to all based on the same terms.

### Example

**Fairness in Employee Treatment:** A company has a policy that employees who achieve certain sales goals receive a bonus. Rather than favoring only the top-level salespeople, the company applies this bonus structure to all sales staff. Entry-level sales representatives have the same opportunity to earn the bonus as senior team members. This fairness motivates employees, as they feel that they have equal opportunities.

**Fairness in Promotion and Rewards:** In a tech company, promotions are based on performance metrics and skill evaluations rather than personal connections. Employees see that hard work and results, not just seniority or friendships, lead to promotions. This fairness in promotion encourages a productive, motivated workforce.

**Fairness in Employee Expectations and Discipline:** A manager at a retail store is found to be breaking company policy by taking extended breaks. The company applies the same disciplinary action that would be taken if an entry-level employee had done the same thing, showing that fairness is upheld throughout the organization.

**Fairness in Customer Treatment:** An airline applies the same baggage fee policy to all passengers, regardless of whether they booked economy or business class. This consistency in fees creates a fair environment, where all customers are treated equally with respect to specific terms of service.

**Community and Environmental Responsibility:** Not only will businesses act ethically toward their clients, customers and employees, but also with regard to the community and the environment. Many companies look for ways to give back to their communities through volunteer work or financial investments. They will also adopt measures to reduce waste and promote a safe and healthy environment.

### *Example*

**Community Responsibility through Volunteer Work:** A software company organizes an annual “Day of Service” where employees volunteer at local charities, such as food banks and shelters. The company allows employees to take a paid day off to participate, demonstrating its commitment to community support and involvement.

**Financial Contributions and Sponsorships for Community Development:** A retail chain donates a portion of its annual profits to local schools, funding scholarships and educational resources for underprivileged students. By investing in education, the company helps improve opportunities for youth in the community, enhancing its image as a socially responsible organization.

**Reducing Environmental Impact through Waste Reduction:** A cosmetics company introduces refillable containers for its products, reducing the need for single-use plastic packaging. By encouraging customers to refill instead of purchasing new containers, the company significantly reduces plastic waste, promoting environmental sustainability.

## 7. Internal Code of Ethics

A code of ethics in business is

- a set of guiding principles
- intended to ensure a business and its employees
- act with honesty and integrity in all facets of its day-to-day operations and
- to only engage in acts that promote a benefit to society.

All companies will have

- a different code of ethics with different areas of interest,
- based on the industry they are involved in,
- but the five areas that companies typically focus on include
  - integrity,
  - objectivity,
  - professional competence,
  - confidentiality, and
  - professional behavior.

Many firms and organizations have adopted a Code of Ethics.

### Example

**Integrity:** Johnson & Johnson's Credo prioritizes the welfare of consumers, employees, and the community. When the Tylenol crisis occurred in 1982, Johnson & Johnson demonstrated integrity by voluntarily recalling 31 million bottles of Tylenol, even though it resulted in a significant financial loss, to protect customer safety.

**Objectivity:** In the auditing field, companies like Deloitte follow strict objectivity guidelines to prevent any bias during client evaluations, ensuring that auditors remain impartial, even when faced with long-standing client relationships.

**Professional Competence:** In technology, companies like Microsoft prioritize professional competence by investing in continuous learning and training programs to ensure employees stay current with advancements and best practices.

**Confidentiality:** Healthcare companies like Mayo Clinic enforce stringent confidentiality rules, especially concerning patient information, to comply with HIPAA (Health Insurance Portability and Accountability Act) regulations and protect patient privacy.

According to the CFAI's (Chartered Financial Analyst) website, Members of CFA Institute, including CFA, and candidates for the CFA designation must adhere to the following Code of Ethics:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.  
**Example:** An investment advisor may decline a lucrative but high-risk investment opportunity that does not align with a client's risk tolerance, even if the client is eager for potential gains. Acting ethically, the advisor demonstrates care for the client's long-term financial stability.
- Place the Integrity of the Investment Profession and Clients' Interests Above Personal Interests.  
**Example:** Suppose a portfolio manager is compensated based on client assets invested in specific funds. If a new fund is launched with a higher management fee but isn't in the client's best interest, the manager refrains from recommending it, upholding client interests over personal benefit.

- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.  
**Example:** An analyst is reviewing a tech company's financials and, despite positive market hype, recognizes that the company's cash flow is insufficient to sustain operations long-term. Exercising independent judgment, the analyst advises clients to proceed cautiously, contrary to the broader market sentiment.
- Practice and encourage others to practice professionally and ethically that will reflect credit on themselves and the profession.  
**Example:** If an investment manager observes a junior analyst exaggerating potential returns on a fund, they address the issue, reinforcing the importance of honest, transparent reporting. This mentorship promotes professionalism within the firm and upholds industry standards.
- Promote the integrity and viability of the global capital markets for the ultimate benefit of society.  
**Example:** A CFA charterholder may actively participate in public forums or policy discussions, advocating for greater market transparency to prevent insider trading or manipulation. This dedication supports the overall health of the global market, benefiting society at large.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.  
**Example:** A CFA charterholder attends advanced training in ESG (Environmental, Social, and Governance) investing to meet the increasing client demand for socially responsible investments. Additionally, they organize workshops for colleagues, sharing insights and helping others expand their knowledge in this area.

# Ethics in Business Dealings

13.8

## Meaning

Business ethics deals with morality in the business. It is a system of moral principles and values applied to business activities. This means the business activities should be conducted according to ethics or moral standard.

## Definition

Business ethics is an art or science of maintaining harmonious relationship with society, its various groups and institution as well as reorganizing for right or wrong of business conduct.

## Features of business ethics

- Code of conduct;
- Provide protection to social group;
- Provide basic frame work;
- Need willing acceptance;
- Education and guidance;
- Not against for profit making.

## Principles

- Avoid exploitation of consumers;
- Avoid unfair trade practices;
- Fair treatment to employees.

Business ethics is defined as written unwritten codes of principles and values that govern decisions and actions within a company. Seven principles in business ethics are-

- Be trustful;
- Be keep open mind;
- Meet obligations;
- Have clear documents;
- Become community involved;
- Maintain accounting control;
- Be respectful.

Wrong doing by businesses has focused public attention and government involvement to encourage more acceptable business conduct. Any business decision may be judged as right or wrong, ethical or unethical, legal or illegal. Business ethics is the principles and standards that determine acceptable conduct in business organizations. The acceptability of behavior in business is determined by customers, competitors, government regulators, interest groups, and the public, as well as each individual's personal moral principles and values.

Many consumers and social advocates believe that businesses should not only make a profit but also consider the social implications of their activities. We define social responsibility as a business's obligation to maximize its positive impact and minimize its negative impact on society. Although many people use the terms social responsibility and ethics interchangeably, they do not mean the same thing. Business ethics relates to an individual's or a work group's decisions that society evaluates as right or wrong, whereas social responsibility is a broader concept that concerns the impact of the entire business's activities on society. From an ethical perspective, for example, we may be concerned about a health care organization or practitioner overcharging the provincial government for medical services. From a social responsibility perspective, we might be concerned about the impact that this overcharging will have on the ability of the health care system to provide adequate services for all citizens.

### Areas in business ethics

- ◉ Corporate Social Responsibility;
- ◉ Fiduciary responsibility to stake holders;
- ◉ Industrial espionage.

Ethical behavior and corporate social responsibility can bring significant benefits to a business.

### For example, they may

- ◉ attract customers to the firm's products, which means boosting sales and profits
- ◉ make employees want to stay with the business, reduce labour turnover and therefore increase productivity
- ◉ attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees
- ◉ attract investors and keep the company's share price high, thereby protecting the business from takeover.

Knowing that the company, they deal with, has stated their morals and made a promise to work in an ethical and responsible manner allows investors' peace of mind that their money is being used in a way that arranges with their own moral standing. When working for a company with strong business ethics, employees are comfortable in the knowledge that they are not by their own action allowing unethical practices to continue. Customers are at ease buying products or services from a company they know to source their materials and labor in an ethical and responsible way.

A company which sets out to work within its own ethical guidelines is also less at risk of being fined for poor behavior, and less likely to find themselves in breach of one of a large number of laws concerning required behavior. Reputation is one of a company's most important assets, and one of the most difficult to rebuild should it be lost. Maintaining the promises it has made is crucial to maintaining that reputation. Businesses not following any kind of ethical code or carrying out their social responsibility leads to wider consequences. Unethical behavior may damage a firm's reputation and make it less appealing to stakeholders. This means that profits could fall as a result. The natural world can be affected by a lack of business ethics. For example, a business which does not show care for where it disposes its waste products, or fails to take a long-term view

when buying up land for development, is damaging the world in which every human being lives, and damaging the future prospects of all companies.

### **Emerging Issues in business ethics**

The business is suffering and troubles by lack of proper directions and is struck on issues like logic, reasons etc. The issues like fairness, justice and honesty are the main issues that are posing complex dilemma to the businesses. A wrong or biased decision can have a profound impact on the goodwill of the company as well as its market position.

### **General business ethics**

- ◉ Ethics of human resource management;
- ◉ Ethics of sales and marketing;
- ◉ Ethics of production;
- ◉ Ethics of Intellectual property, knowledge and skills;

### **Common unethical practices by executives of a corporate**

- i) Corruption - financial/non-financial
- ii) Greed for profit/turnover
- iii) Accommodating a group, may be employees, vendors, customers. (iv) Leak of knowledge
- v) Leak of professionalism
- vi) External pressure
- vii) Ego and dominance of top management ignoring right things

### **Importance of business ethics**

- ◉ Public expects business to exhibit high levels of ethical performance and social responsibility;
- ◉ Encouraging business firms and their employees to behave ethically is to prevent harm to society;
- ◉ Promoting ethical behavior is to protect business from abuse by unethical employees or unethical competitors;
- ◉ High ethical performance also protects the individuals who work in business.
- ◉ Improving consumer confidence
- ◉ Business become conscious of social responsibilities;
- ◉ Create good image of business;
- ◉ Goodwill;
- ◉ Profitability;
- ◉ Survival of heated competition
- ◉ Safety from legal perspectives

### **Need for business ethics**

The following points discuss the need and importance of business ethics-

- ◉ to stop business malpractice;
- ◉ to improve customers' confidence;
- ◉ for the survival of business;
- ◉ to safeguard consumers' rights;
- ◉ to protect employees and shareholders;
- ◉ to develop good relations;
- ◉ to create good image;
- ◉ for smooth functioning;
- ◉ consumer movement;
- ◉ consumer satisfaction;
- ◉ importance of labor;
- ◉ healthy competition.

### **To stop business malpractice**

Some unscrupulous businessmen do business malpractices by indulging in unfair trade practices like black-marketing, artificial high pricing, adulteration, cheating in weights and measures, selling of duplicate and harmful products, hoarding, false claims of representations about their products etc., These business malpractices are harmful to the consumers. Business ethics help to stop these business malpractices.

### **To improve customers' confidence**

Business ethics are needed to improve the customers' confidence about the quality, quantity, price etc., of the products. The customs have more trust and confidence in the businessmen who follow ethical rules. They feel that such businessmen will not cheat them.

### **For the survival of the business**

Business ethics are mandatory for the survival of business. The businessmen who do not follow it will have short term success, but they will fail in the long run. This is because they can cheat a consumer only once. After that, the consumer will not buy goods from that businessman. He will also tell others not to buy from that businessman. So this will defame his image and provoke a negative publicity. This will result in failure of the business. Therefore, if the businessmen do not follow ethical rules, he will fail in the market. So, it is always better to follow appropriate code of conduct to survive in the market.

### **To safeguard consumers' right**

Consumer sovereignty cannot be either ruled out or denied. Business can survive so long it enjoys the patronage of consumer. The consumer has many rights such as right to health and safety, right to be informed, right to choose, right to be heard, right to redress, etc., But many businessmen do not respect and protect these rights. Business ethics must safeguard these rights of the consumers.

**To protect employees and shareholders**

Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers etc., It protects them from exploitation through unfair trade practices.

**To develop good relations**

Business ethics are important to develop good and friendly relations between business and society. This will result in a regular supply of good quality goods and services at low prices to the society. It will also result in profits for the businesses thereby resulting in growth of economy.

**For smooth functioning**

If the business follows all the business ethics, then the employees, shareholders, consumers, dealers and suppliers will all be happy. So they will give full cooperation to the business. This will result in smooth functioning of the business. So, the business will grow, expand and diversify easily and quickly. It will have more sales and more profits.

**Consumer movement**

Business ethics are gaining importance because of the growth of the consumer movement. Gone are the days when the consumer can be taken for ride by the unscrupulous business by their false propaganda and false claims, unfair trade practices. Today, the consumers are aware of their rights and well informed as well as well organized. Now they are more organized and hence cannot be cheated easily. They take actions against those businessmen who indulge in bad business practices. They boycott poor quality, harmful, high priced and counterfeit goods. Therefore, the only way to survive in business is to be honest and fair. Consumer fora and consumer associations are more active and vocal now.

**Consumer satisfaction**

Today the consumer is the king of the market. Any business simply cannot survive without the consumers. Therefore, the main aim or objective of business is consumer satisfaction. If the consumer is not satisfied, then there will be no sales and thus no profits too. Consumers will be satisfied only if the business follows all the business ethics and hence are highly needed.

**Importance of labor**

Labor, i.e., employees or workers play a very crucial role in the success of a business. Therefore, business must use business ethics while dealing with the employees. The business must give them proper wages and salaries and provide them with better working conditions. There must be good relations between employer and employees. The employees must also be given proper welfare facilities.

**Healthy competition**

The business must use business ethics while dealing with the competitors. They must have healthy competition with the competitors. Healthy competition brings about efficiency, breaks complacency and leads to optimal utilization of scarce resources, hence is always welcome. They must not do cut-throat competition. Similarly, they must give equal opportunities to small scale business. They must avoid monopoly. This is because a monopoly is harmful to the consumers.

**Advantages of business ethics**

The following are the advances for following the principles of business ethics-

- ◉ It offers a company a competitive advantage;

- ◉ Goodwill of the firm hikes depending on its responds towards its ethical issues;
- ◉ Productivity through rigid, firm and sincere workers as well as other business chain members;
- ◉ Through increasing morale and trust business can increase their market share;
- ◉ Publicity due to well and ethical performance;
- ◉ Acceptance of products of the company by the public;
- ◉ Overall growth of the society;
- ◉ Makes change management easy;
- ◉ Value integration with quality and strategy;

### **Recognition of ethical issues in business**

Learning to recognize ethical issues is the most important step in understanding business ethics. An ethical issue is an identifiable problem, situation, or opportunity that requires person to choose from among several actions that may be evaluated as right or wrong, ethical or unethical. In business, such a choice often involves weighing monetary profit against what a person considers appropriate conduct. The best way to judge the ethics of a decision is to look at a situation from a customer's or competitor's viewpoint.

Many business issues may seem straightforward and easy to resolve, but in reality, a person often needs several years of experience in business to understand what is acceptable or ethical. Ethics are also related to the culture in which a business operates.

### **Business Relationship**

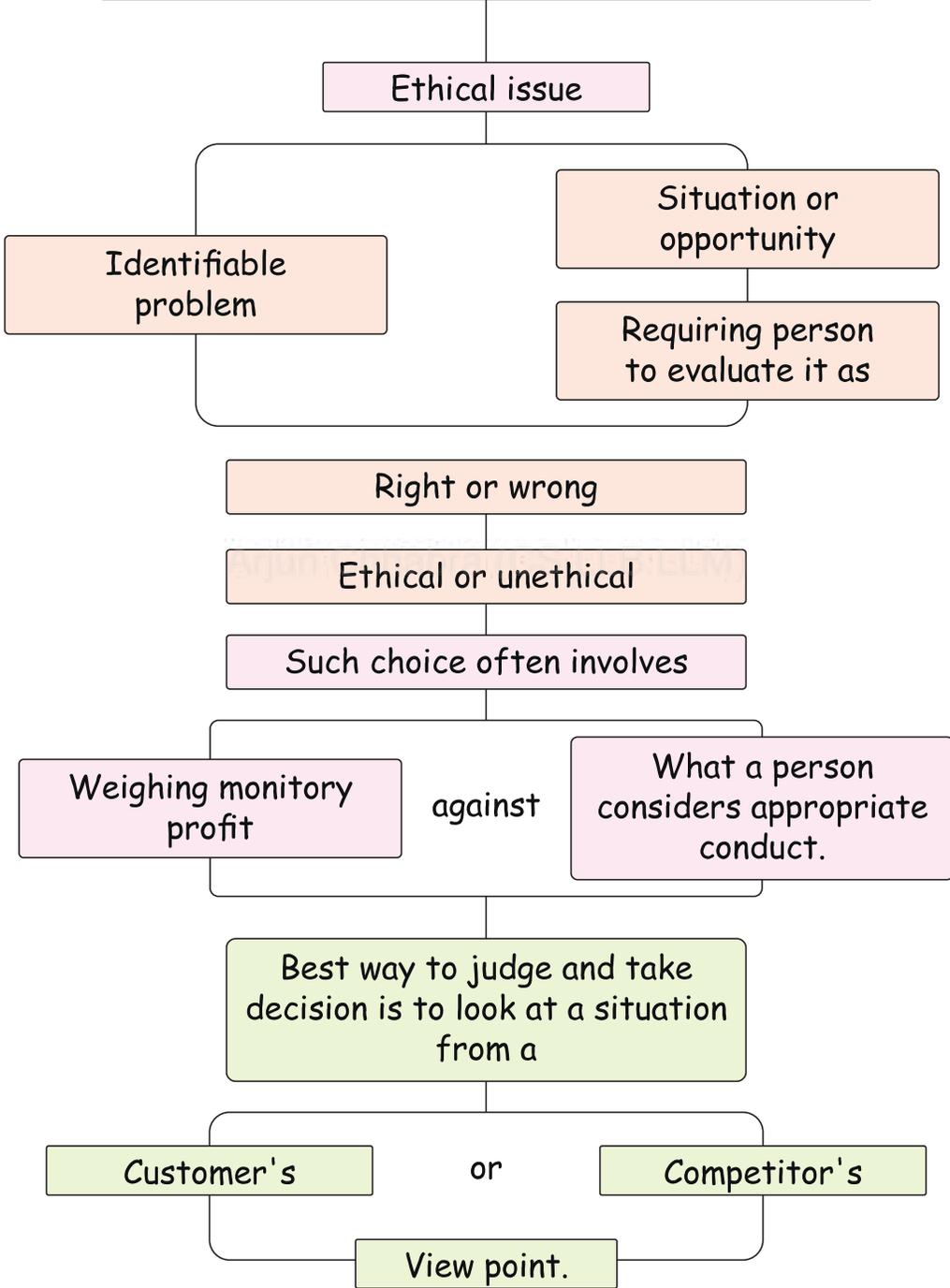
The behavior of business persons toward customers, suppliers, and others in their workplace may also generate ethical concerns. Ethical behavior within a business involves keeping company secrets, meeting obligations and responsibilities, and avoiding undue pressure that may force others to act unethically.

### **Improving ethical behavior in business**

Understanding how people make ethical choices and what prompts a person to act unethically may reverse the current trend toward unethical behavior in business. Ethical decisions in an organization are influenced by three key factors: individual moral standards, the influence of managers and coworkers, and the opportunity to engage in misconduct. It is difficult for employees to determine what conduct is acceptable within a company if the firm does not have ethics policies and standards. And without such policies and standards, employees may base decisions on how their peers and superiors behave. Professional codes of ethics are formalized rules and standards that describe what a company expects of its employees. Codes of ethics, policies on ethics, and ethics training programs advance ethical behavior because they prescribe which activities are acceptable and which are not, and they limit the opportunity for misconduct by providing punishments for violations of the rules and standards. The enforcement of such codes and policies through rewards and punishments increases the acceptance of ethical standards by employees.

## Recognition of ethical issues in business

Learning to recognize ethical issues is the most important step in understanding business ethics.



Note:- Ethics is also related to culture in which a business operates.

**Improving ethical behavior in business**

Understanding how people make ethical choices

Improving ethical behavior in business

Understanding how people make ethical choices.

and

What prompts a person to act unethically

May reverse the current trend toward unethical behavior business

Ethical decisions are influenced by three key factors.

Individual moral standards

Influence of managers or co workers

Opportunity to engage in misconduct

It is difficult for employees to determine what conduct is acceptable within a company if the firm does not have ethics policies and standards.

and

in that situation employees make decision on how their peers and superior behave.

Codes of ethics

Policies on ethics

Ethics training programs

Advance ethical behavior because

They prescribe which activities are acceptable and which are not

and

They limit the opportunity for misconduct by providing punishment for violations of rules and standards.

# Case Study on Business Ethics

13.9

**W**ells Fargo was a well-known name in the banking industry in the United States of America, with high returns on its equity and rising stock prices. Among their major goals, the company enlisted sale of its various products to its existing customers for more revenues. In September 2016, it came to light that the pressure on employees to hit sales quotas was immense such as hourly tracking, pressure from supervisors to engage in unethical behavior, and a compensation system based heavily on bonuses and commissions proportionate to the sales made. It came to be known that Wells Fargo had fired over 5,300 employees over the past few years related to questionable sales practices. However, the CEO John Stumpf tried to clarify by claiming that the scandal was the result of a few bad employees who did not honor the company's values and that there were no incentives to commit unethical behavior.

Further disclosures and reporting found more troubling information. Many employees had quit under the immense pressure to engage in unethical sales practices, and some were even fired for reporting misconduct through the company's ethics hotline. Senior leadership was aware of these aggressive sales practices as far back as 2004, with incidents as far back as 2002 identified.

The Board of Directors commissioned an independent investigation that identified cultural, structural, and leadership issues as root causes of the improper sales practices. The report cites: the wayward sales culture and performance management system; the decentralized corporate structure that gave too much autonomy to the division's leaders; and the unwillingness of leadership to evaluate the sales model, given its longtime success for the company.

What steps can leaders take to design systems that encourage ethical behavior rather than unethical behavior? What behaviors can leaders model in order to encourage ethical behavior in their organization?

# Emotional Intelligence (Concept and Importance)

13.10

**E**motional intelligence also known as emotional quotient or EQ, is the ability to understand, use, and manage your own emotions in positive ways to relieve stress, communicate effectively, empathize with others, overcome challenges and defuse conflict. Emotional intelligence helps you build stronger relationships, succeed at school and work, and achieve your career and personal goals. It can also help you to connect with your feelings, turn intention into action, and make informed decisions about what matters most to you.

**Emotional intelligence is commonly defined by four attributes**

- ◉ **Self-management** – You're able to control impulsive feelings and behaviors, manage your emotions in healthy ways, take initiative, follow through on commitments, and adapt to changing circumstances.
- ◉ **Self-awareness** – You recognize your own emotions and how they affect your thoughts and behavior. You know your strengths and weaknesses, and have self-confidence.
- ◉ **Social awareness** – You have empathy. You can understand the emotions, needs, and concerns of other people, pick up on emotional cues, feel comfortable socially, and recognize the power dynamics in a group or organization.
- ◉ **Relationship management** – You know how to develop and maintain good relationships, communicate clearly, inspire and influence others, work well in a team, and manage conflict.

**Why is emotional intelligence so important?**

As we know, it's not the smartest people who are the most successful or the most fulfilled in life. You probably know people who are academically brilliant and yet are socially inept and unsuccessful at work or in their personal relationships. Intellectual ability or your intelligence quotient (IQ) isn't enough on its own to achieve success in life. Yes, your IQ can help you get into college, but it's your EQ that will help you manage the stress and emotions when facing your final exams. IQ and EQ exist in tandem and are most effective when they build off one another.

**Emotional intelligence affects**

**Your performance at school or work:** High emotional intelligence can help you navigate the social complexities of the workplace, lead and motivate others, and excel in your career. In fact, when it comes to gauging important job candidates, many companies now rate emotional intelligence as important as technical ability and employ EQ testing before hiring.

**Your physical health:** If you're unable to manage your emotions, you are probably not managing your stress either. This can lead to serious health problems. Uncontrolled stress raises blood pressure, suppresses the immune

system, increases the risk of heart attacks and strokes, contributes to infertility, and speeds up the aging process. The first step to improving emotional intelligence is to learn how to manage stress.

**Your mental health:** Uncontrolled emotions and stress can also impact your mental health, making you vulnerable to anxiety and depression. If you are unable to understand, get comfortable with, or manage your emotions, you'll also struggle to form strong relationships. This in turn can leave you feeling lonely and isolated and further exacerbate any mental health problems.

**Your relationships:** By understanding your emotions and how to control them, you're better able to express how you feel and understand how others are feeling. This allows you to communicate more effectively and forge stronger relationships, both at work and in your personal life.

### Conclusion

Business ethics is important to practice good ethical behavior. One of the most formidable challenges is avoiding immoral management, and transitioning from an amoral to a moral management mode of leadership, behavior, decision making, policies and practices. Moral management requires ethical leadership. It entails more than just 'not doing wrong'.

Moral management requires that managers search out of those vulnerable situations in which amorality may reign if careful, thoughtful reflection is not given by management. Moral management requires that managers understand, and be sensitive to, all the stakeholders of the organization and their stakes. If the moral management model is to be achieved, managers need to integrate ethical wisdom with their managerial wisdom and take steps to create and sustain an ethical climate in their organizations.

Arjun Chhabra (CS, LLB, LL.M)