

BUSINESS ETHICS AND CORPORATE GOVERNANCE

MCOM IInd SEMESTER

LECTURE-5

DR.REKHA GARG

Business ethics is the application of general ethical principles to business dilemmas and encompasses a broader range of issues and concerns than laws do, as everything that is legal is not ethical. Ethics involves learning what is right or wrong, and then doing the right thing -- but "the right thing" is not nearly as straightforward.

Business Ethics has the following purposes:

- To give people the tools for dealing with moral complexity in business
- Business decisions have an ethical component
- Ethical implications must be weighed before acting.

Corporate governance is concerned with the ownership, control and accountability of companies, and how the corporate pursuit of economic objectives relates to a number of wider ethical and societal considerations. It is the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth .

Good Corporate Governance is key to Growing Profits and Reputation. It represents the relationship among stakeholders that is used to determine and control the strategic direction and performance of organizations.

Accountability is a key element as well as requirement for corporate governance, fortifying the latter in such a way that it provides a transparent template for governing critical decisions, procedures .

Corporate Governance deals with the questions: (1) Who benefits from corporate decisions/senior management actions? (2) Who should benefit from corporate decisions/senior management actions?

There are a number of reasons why businesses should act ethically .As behavior is based on values priorities, a mutual effort at all levels to deal with corporate ethics begins with a clear understanding of core values, both individually and organizationally.

Good corporate governance begins with a company's own internal practices and policies. While corporate governance issues are common across organizations, each company requires governance principles that are unique in their approach. Good governance is, ultimately, the sine qua non for continued growth and prosperity.

Corporate governance ensures that long term strategic objectives and plans are established and that the proper management structure is in place.

Companies that provide good governance, both in terms of practices and results can expect the backing not only of investors but of customers too.

Corporate Governance represents the moral framework, the ethical framework and the value framework under which an enterprise takes decisions. In the long run ethical behavior has a positive impact on the company's performance.