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1st SEM MBA 2020 -21 Batch

MOD 1:

Definition:

Definition of Business Environment is sum or collection of all internal and external factors such as employees, customers' needs and expectations, supply and demand, management, clients, suppliers, owners, activities by government, innovation in technology, social trends, market trends, economic changes, etc. These factors affect the function of the company and how a company works directly or indirectly. Sum of these factors influences the companies or business organisations environment and situation.

Business environment is the sum totals of all factors external to the **business** firm and that greatly influence their functioning. It covers factors and forces like customers, competitors, suppliers, government, and the social, cultural, political, technological and legal conditions.

Business Environment means Businesses function within the environment and have to negotiate their way through it. Economists have classified Business Environment as Static environment, Dynamic environment, Internal environment, External environment, market environment, and Non-market environment including stake holders and shareholders.

Internal Environment:

The **internal business environment** comprises of factors within the company which impact the success and approach of operations. The company has control over these factors. It is important to recognize potential opportunities and threats outside company operations.

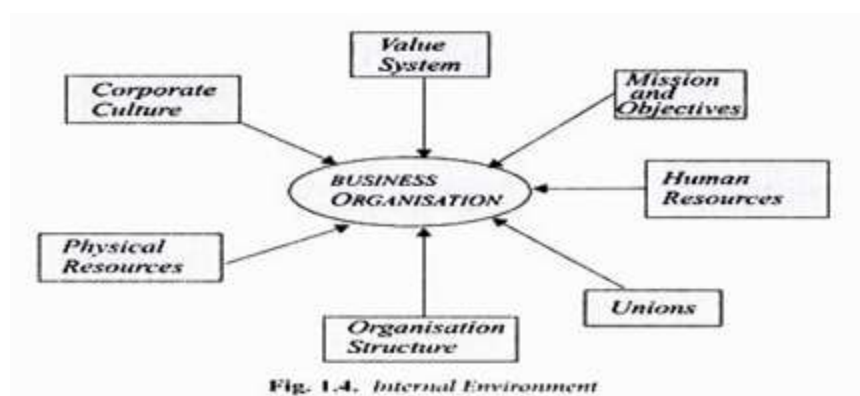
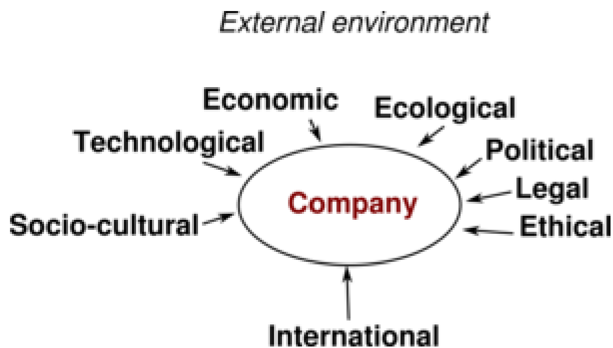


Fig. 1.4. Internal Environment

External Environment:

The external business environment consists of economic, political and legal, demographic, social, competitive, global, and technological sectors. Managers must understand how the environment is changing and the impact of those changes on the business.



Micro environment:

The factors or elements in a firm's immediate **environment** which affect its performance and decision-making; these elements include the firm's suppliers, competitors, marketing intermediaries, customers and publics.

Fig. 37.2 Constituents of business environment

Macro Environment:

The factors that make up the macro-environment are **economic factors**, demographic forces, **technological** factors, natural and physical forces, **political** and legal forces, and social and cultural forces.

The company is not alone in its business environment. It is surrounded by and operates in a larger context. This context is called the Macro Environment. It consists of all the forces that shape opportunities, but also pose threats to the company.

The Macro Environment consists of 6 different forces.
These are: **D**emographic, **E**conomic, **P**olitical, **E**cological, **S**ocio-Cultural, and **T**echnological forces. This can easily be remembered: the **DESTEP** model, also called DEPEST model, helps to consider the different factors of the Macro Environment.

Economic environment

- Employment/unemployment.
- Income.
- Inflation.
- Interest rates.
- Tax rates.
- Currency exchange rate.
- Saving rates.
- Consumer confidence levels.

The economic climate affects businesses in four main ways:

- unemployment.
- changing levels of consumer income.
- interest rates.
- tax rates.

Though the number and variety of the different resource, businesses requirement is limitless, economists divide the factors of production into three basic categories: **land**, **labour**, and **capital**.
Land refers to all of the **natural resources** that businesses need to make and distribute goods and services.
Labour refers to HR, HRM &HRP. It means the manpower requirement of an organisation.

Capital refers to fund and reserve. Capital asset indicates the economic growth of the organisation.

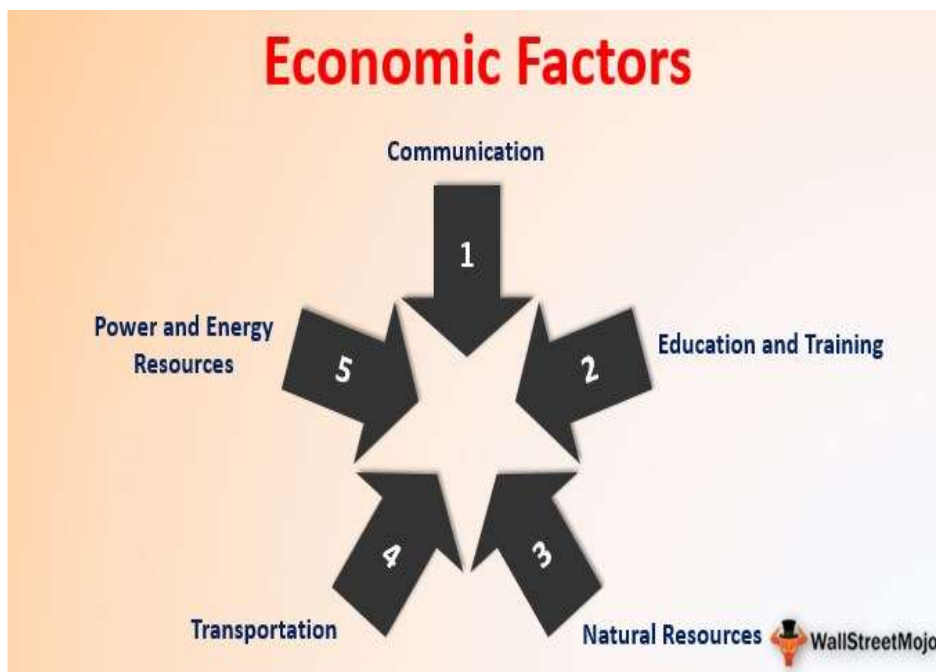
Macro factors include:

- Public and their needs and problems
- Employment/unemployment.
- Income.
- Inflation.
- Interest rates.
- Tax rates.
- Currency exchange rate.
- Saving rates.
- Consumer confidence levels.

There are multiple examples of economic factors some of them are as follows:-

- Tax Rate
- Exchange Rate
- Inflation
- Labour
- Demand/ Supply
- Wages
- Law and policies
- Governmental Activity

Recession: There are multiple examples of economic factors some of them are as follows:-



SWOT (strengths, weaknesses, opportunities, and threats) **analysis** is a framework used to evaluate a company's competitive position and to develop strategic planning. **SWOT analysis** assesses internal and external factors, as well as current and future potential.

SWOT analysis (or **SWOT matrix**) is a strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning.

This technique, which operates by 'peeling back layers of the company is designed for use in the preliminary stages of decision-making processes and can be used as a tool for evaluation of the strategic position of organizations of many kinds (for-profit enterprises, local and

national governments, NGOs, etc.). It is intended to specify the objectives of the business venture or project and identify the internal and external factors that are favourable and unfavourable to achieving those objectives. Users of a SWOT analysis often ask and answer questions to generate meaningful information for each category to make the tool useful and identify their competitive advantage. SWOT has been described as the tried-and-true tool of strategic analysis, but has also been criticized for its limitations.

SWOT analysis can be used to build organizational or personal strategy. Steps necessary to execute strategy-oriented analysis involve identification of internal and external factors (using the popular 2X2 matrix), selection and evaluation of the most important factors, and identification of relations existing between internal and external features.

For instance, strong relations between strengths and opportunities can suggest good conditions in the company and allow using an aggressive strategy. On the other hand, strong interactions between weaknesses and threats could be analysed as a potential warning and advice for using a defensive strategy.

ETOP analysis (environmental threat and opportunity profile) is the process by which organizations monitor their relevant environment to identify opportunities and threats affecting their business for the purpose of taking strategic decisions.

Environmental scanning is necessary because there are rapid changes taking place in the environment that has a great impact on the working of the business firm. Analysis of business environment helps to identify strength weakness, opportunities and threats.
The preparation of ETOP involves dividing the environment into different sectors and then analyzing the impact of each sector on the organization. A comprehensive ETOP requires sub dividing each environmental sector into sub-sectors and then the impact of each sector is described in the form of a statement.

1. Identification of strength:

Strength of the business firm means capacity of the firm to gain advantage over its competitors. Analysis of internal business environment helps to identify strength of the firm. After identifying the strength, the firm must try to consolidate or maximize its strength by further improvement in its existing plans, policies and resources.

2. Identification of weakness:

Weakness of the firm means limitations of the firm. Monitoring internal environment helps to identify not only the strength but also the weakness of the firm. A firm may be strong in certain areas but may be weak in some other areas. For further growth and expansion, the weakness should be identified so as to correct them as soon as possible.

3. Identification of opportunities:

Environmental analyses help to identify the opportunities in the market. The firm should make every possible effort to grab the opportunities as and when they come.

4. Identification of threat:

Business is subject to threat from competitors and various factors. Environmental analyses help them to identify threat from the external environment. Early identification of threat is always beneficial as it helps to diffuse off some threat.

5. Optimum use of resources:

Proper environmental assessment helps to make optimum utilization of scare human, natural and capital resources. Systematic analyses of business environment help the firm to reduce wastage and make optimum use of available resources, without understanding the internal and external environment resources cannot be used in an effective manner.

6. Survival and growth:

Systematic analyses of business environment help the firm to maximize their strength, minimize the weakness, grab the opportunities and diffuse threats. This enables the firm to survive and grow in the competitive business world.

7. To plan long-term business strategy:

A business organisation has short term and long-term objectives. Proper analyses of environmental factors help the business firm to frame plans and policies that could help in easy accomplishment of those organisational objectives. Without undertaking environmental scanning, the firm cannot develop a strategy for business success.

8. Environmental scanning aids decision-making:

Decision-making is a process of selecting the best alternative from among various available alternatives. An environmental analysis is an extremely important tool in understanding and decision making in all situation of the business. Success of the firm depends upon the precise decision- making ability. Study of environmental analyses enables the firm to select the best option for the success and growth of the firm.

ETOP stands for Environmental Threat and Opportunity Profile and **SAP** for Strategic Advantage Profile. ETOP discloses the most critical factors and their potential impact on a firm's strategy and operations, whereas **SAP** identifies specific advantages necessitating a firm's strategic actions.

The term "**strategic advantages**" refers to those market place **benefits** or **geographics** that exert a decisive influence on an organization's likelihood of future success. These **advantages** are quite sensitive and frequently changing by nature and are the sources of an organization's current and future competitive success relative to other providers of similar products.

The strategic managers should keep focus on the following dimensions,

1. Issue Selection:
Focus on issues, which have been selected, should not be missed since there is a likelihood of arriving at incorrect priorities. Some of the impotent issues may be those related to market share, competitive pricing, customer preferences, technological changes, economic policies, competitive trends, etc.
2. Accuracy of Data:
Data should be collected from good sources otherwise the entire process of environmental scanning may go waste. The relevance, importance, manageability, variability and low cost of data are some of the important factors, which must be kept in focus.
3. Impact Studies:
Impact studies should be conducted focusing on the various opportunities and threats and the critical issues selected. It may include study of probable effects on the company's strengths and weaknesses, operating and remote environment, competitive position, accomplishment of mission and vision etc. Efforts should be taken to make assessments more objective wherever possible.
4. Flexibility in Operations:
There are number of uncertainties exist in a business situation and so a company can be greatly benefited buy devising proactive and flexible strategies in their plans, structures, strategy etc. The optimum level of flexibility should be maintained.

Some of the key elements for increasing the flexibility are as follows:

(a) The strategy for flexibility must be stated to enable managers adopt it during unique situations.
(b) Strategies must be reviewed and changed if required.
(c) Exceptions to decided strategies must be handled beforehand. This would enable managers to violate strategies when it is necessary.
(d) Flexibility may be quite costly for an organization in terms of changes and compressed plans; however, it is equally important for companies to meet urgent challenges.

Environmental forecasting is a technique whereby managers attempt to predict the future characteristics of the organizational **environment** and hence make decisions today that will help the firm deal with the **environment** of tomorrow.

Forecasting is a technique that uses historical data as inputs to make informed estimates that are predictive in determining the direction of future trends. **Businesses** utilize **forecasting** to determine how to allocate their budgets or plan for anticipated expenses for an upcoming period of time.

Industrial Policy Resolution of 1956 (IPR 1956) is a resolution adopted by the Indian Parliament in April 1956. It was the first comprehensive statement on industrial development of India. The 1956 policy continued to constitute the basic economic policy for a long time. This fact has been confirmed in all the Five-Year Plans of India. According to this resolution the objective of the social and economic policy in India was the establishment of a socialistic

pattern of society. It provided more powers to the governmental machinery. It laid down three categories of industries which were more sharply defined. These categories were:

1. Schedule A: those industries which were to be an exclusive responsibility of the state.
2. Schedule B: those which were to be progressively state-owned and in which the state would generally set up new enterprises, but in which private enterprise would be expected only to supplement the effort of the state; and
3. Schedule C: all the remaining industries and their future development would, in general be left to the initiative and enterprise of the private sector.

Mc Kinsey 7s' model: Environmental scanning:

If something within the organization or team is not working, chances are there is inconsistency between some of the seven elements identified in the model. These are: strategy, structure, systems, shared values, style, staff, and skills.

The McKinsey 7S Model is a framework for organizational effectiveness that postulates that there are seven internal factors of an organization that need to be aligned and reinforced in order for it to be successful.

It can be used to identify which elements are required to be realigned in order to improve performance, or to maintain alignment and performance during other changes. These changes could include restructuring, new processes, an organizational merger, new systems, and change of leadership.

7 elements of the McKinsey 7s model.

Step 1: Identify areas that need to be aligned.

Step 2: Determine your optimal organizational design.

Step 3: Decide what needs to be changed.

Step 4: Implement the changes.

Step 5: Review the seven elements in your strategy development framework

The core values that define McKinsey can be summarized in three areas:

- adhere to the highest professional standards,
- improve our clients' performance significantly, and to
- create an unrivaled environment for exceptional people.

Porter’s 5 force Model:

Porter's Five Forces is a framework for analyzing a company's competitive environment. The number and power of a company's competitive rivals, potential new market entrants, suppliers, customers, and substitute products influence a company's profitability.

Competition in the Industry:

The five forces refer to the number of competitors and their ability to undercut a company. The larger the number of competitors, along with the number of equivalent products and services they offer, the lesser the power of a company. Suppliers and buyers seek out a company’s competition if they are able to offer a better deal or lower prices. Conversely, when competitive rivalry is low, a company has greater power to charge higher prices and set the terms of deals to achieve higher sales and profits. Potential of New Entrants Into an Industry

A company's power is also affected by the force of new entrants into its market. The less time and money it cost for a competitor to enter a company's market and be an effective competitor, the more an established company's position could be significantly weakened. An industry with strong barriers to entry is ideal for existing companies within that industry since the company would be able to charge higher prices and negotiate better terms.

Power of Suppliers

The next factor in the five forces model addresses how easily suppliers can drive up the cost of inputs. It is affected by the number of suppliers of key inputs of a good or service, how unique these inputs are, and how much it would cost a company to switch to another supplier. The fewer suppliers to an industry, the more a company would depend on a supplier. As a result, the supplier has more power and can drive up input costs and push for other advantages in trade. On the other hand, when there are many suppliers or low switching costs between rival suppliers, a company can keep its input costs lower and enhance its profits.

Power of Customers

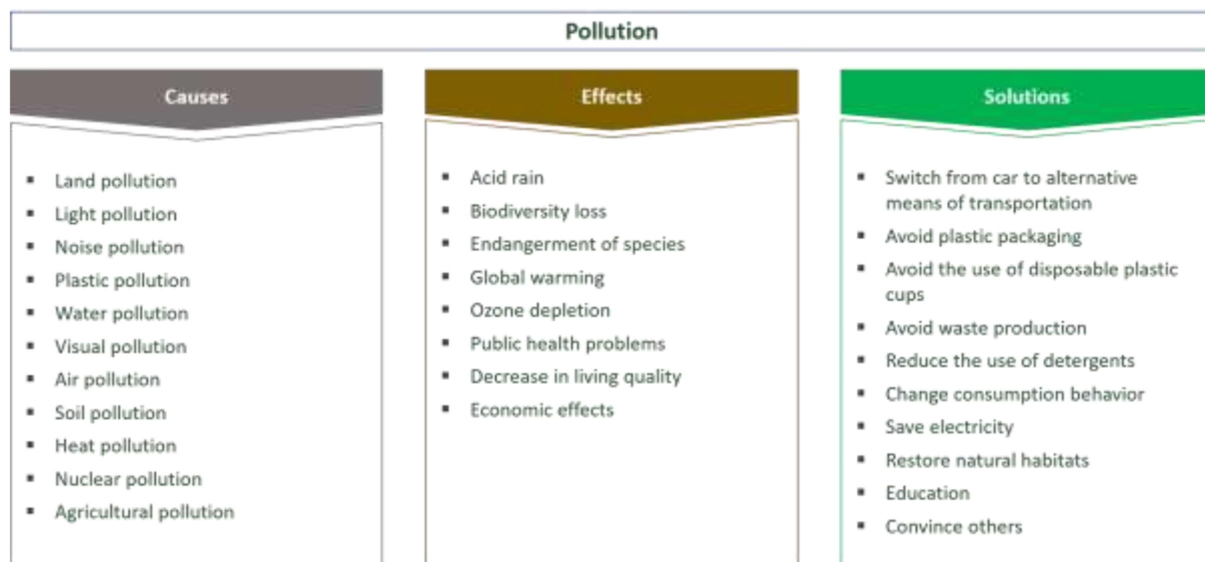
The ability that customers have to drive prices lower or their level of power is one of the five forces. It is affected by how many buyers or customers a company has, how significant each customer is, and how much it would cost a company to find new customers or markets for its output. A smaller and more powerful client base means that each customer has more power to negotiate for lower prices and better deals. A company that has many, smaller, independent customers will have an easier time charging higher prices to increase profitability.

Threat of Substitutes:

The last of the five forces focuses on substitutes. Substitute goods or services that can be used in place of a company's products or services pose a threat. Companies that produce goods or services for which there are no close substitutes will have more power to increase prices and lock in favorable terms. When close substitutes are available, customers will have the option to forgo buying a company's product, and a company's power can be weakened.

Understanding Porter's Five Forces and how they apply to an industry, can enable a company to adjust its business strategy to better use its resources to generate higher earnings.

MOD 2:



Water Pollution is the presence of harmful materials in water, such as sewage dissolved metal, waste from industries, factories and crude oil spilled from oil tankers. The three main substances that pollute water are nitrates from fertilizers, sewage and detergents.

Activities such as bathing and washing clothes near lakes, ponds or rivers add nutrients like nitrate and phosphate into the water bodies. This leads to excessive growth of algae on the surface of water. It blocks the penetration of sunlight and air, thus reducing oxygen.

It causes harm to organisms living in water and can also harm people's health. In extreme cases, it may cause diseases like cancer. It also leads to loss of a large amount of aquatic life.

Air can be polluted by many things. Examples include hazardous or poisonous gases, sulphur dioxide, nitrogen dioxide, carbon monoxide and very small particles. Smoke and harmful gases released by fires, industries, and thermal power plants cause air pollution. Using coal and wood as fuels for fire causes a lot of air pollution. Petroleum produces less pollution per ton, but it causes a lot of pollution since a lot of it is burned globally. Air pollution may cause health problems such as asthma or other breathing problems.

Air pollution causes global warming and acid rain. This makes it difficult for some living things to survive. *Air pollution* kills millions of people every year. We need clean and profitable solutions! The Solar Impulse Foundation is selecting innovative solutions to fight *air pollution*. For a sustainable world.

Pollution is the introduction of contaminants into the natural environment that cause adverse change. Pollution can take the form of chemical substances or energy, such as noise, heat, or light. Pollutants, the components of pollution, can be either foreign substances/energies or naturally occurring contaminants.

Air pollution is a mixture of solid particles and gases in the air. Car emissions, chemicals from factories, dust, pollen and mould spores may be suspended as particles. Ozone, a gas, is a major part of air pollution in cities. When ozone forms air pollution, it's also called smog. Some air pollutants are poisonous. Air pollution refers to the release of pollutants into the air that are detrimental to human health and the planet as a whole. The Clean Air Act authorizes the U.S. Environmental Protection Agency (EPA) to protect public health by regulating the emissions of these harmful air pollutants. The NRDC has been a leading authority on this law since it was established in 1970.

CAUSES OF AIR POLLUTION:
"Most air pollution comes from energy use and production," says John Walke, Director of the Clean Air Project, part of the Climate and Clean Energy Program at NRDC. "Burning fossil fuels releases gases and chemicals into the air." And in an especially destructive feedback loop, air pollution not only contributes to climate change but is also exacerbated by it. "Air pollution

in the form of carbon dioxide and methane raises the earth's temperature," Walke says. "Another type of air pollution is then worsened by that increased heat: Smog forms when the weather is warmer and there's more ultraviolet radiation." Climate change also increases the production of allergenic air pollutants including mould, and pollen.

Effects of Air Pollution:

"While we've made progress over the last 40-plus years improving air quality in the U.S. thanks to the Clean Air Act, climate change will make it harder in the future to meet pollution standards, which are designed to protect health," says Kim Knowlton, senior scientist and deputy director of the NRDC Science Centre.

Smog and soot

These two are the most prevalent types of air pollution. Smog, or "ground-level ozone," as it is more wonkily called, occurs when emissions from combusting fossil fuels react with sunlight. Soot, or "particulate matter," is made up of tiny particles of chemicals, soil, smoke, dust, or allergens, in the form of gas or solids, that are carried in the air. The EPA's "Plain English Guide to the Clean Air Act" states, "In many parts of the United States, pollution has reduced the distance and clarity of what we see by 70 percent." The sources of smog and soot are similar. "Both come from cars and trucks, factories, power plants, incinerators, engines—anything that combusts fossil fuels such as coal, gas, or natural gas," Walke says. The tiniest airborne particles in soot—whether they're in the form of gas or solids—are especially dangerous because they can penetrate the lungs and bloodstream and worsen bronchitis, lead to heart attacks, and even hasten death.

Smog can irritate the eyes and throat and also damage the lungs—especially of people who work or exercise outside, children, and senior citizens. It's even worse for people who have asthma or allergies—these extra pollutants only intensify their symptoms and can trigger asthma attacks.

Hazardous air pollutants
These are either deadly or have severe health risks even in small amounts. Almost 200 are regulated by law; some of the most common are mercury, lead, dioxins, and benzene. “These are also most often emitted during gas or coal combustion, incinerating, or in the case of benzene, found in gasoline,” Walke says. Benzene, classified as a carcinogen by the EPA, can cause eye, skin, and lung irritation in the short term and blood disorders in the long term. Dioxins, more typically found in food but also present in small amounts in the air, can affect the liver in the short term and harm the immune, nervous, and endocrine systems, as well as reproductive functions. Lead in large amounts can damage children’s brains and kidneys, and even in small amounts it can affect children’s IQ and ability to learn. Mercury affects the central nervous system.

Polycyclic aromatic hydrocarbons, or PAHs, are toxic components of traffic exhaust and wildfire smoke. In large amounts, they have been linked to eye and lung irritation, blood and liver issues, and even cancer. In one recent study, the children of mothers who’d had higher PAH exposure during pregnancy had slower brain processing speeds and worse symptoms of ADHD.

Greenhouse gases:
By trapping the earth’s heat in the atmosphere, greenhouse gases lead to warmer temperatures and all the hallmarks of climate change: rising sea levels, more extreme weather, heat-related deaths, and increasing transmission of infectious diseases like Lyme. According to a 2014 EPA study, carbon dioxide was responsible for 81 percent of the country’s total greenhouse gas emissions, and methane made up 11 percent. “Carbon dioxide comes

from combusting fossil fuels, and methane comes from natural and industrial sources, including the large amounts that are released during oil and gas drilling," Walke says. "We emit far larger amounts of carbon dioxide, but methane is significantly more potent, so it's also very destructive." other class of greenhouse gases, hydrofluorocarbons (HFCs), are thousands of times more powerful than carbon dioxide in their ability to trap heat. In October 2016, more than 140 countries reached an agreement to reduce the use of these chemicals—which are used in air conditioners and refrigerators—and find greener alternatives over time. David Doniger, senior strategic director of NRDC's Climate and Clean Energy program, writes, "NRDC estimates that the agreed HFC phase-down will avoid the equivalent of more than 80 billion tons of CO_2 over the next 35 years."

Pollen and Mould:

Mould and allergens from trees, weeds, and grass are also carried in the air, are exacerbated by climate change, and can be hazardous to health. They are not regulated by the government and are less directly connected to human actions, but they can be considered air pollution. "When homes, schools, or businesses get water damage, Mould can grow and can produce allergenic airborne pollutants," Knowlton says. "Mould exposure can precipitate asthma attacks or an allergic response, and some Moulds can even produce toxins that would be dangerous for anyone to inhale."

Pollen allergies are worsening because of climate change. "Lab and field studies are showing that the more carbon dioxide pollen-producing plants—especially ragweed—are grown in, the bigger they grow and the more pollen they produce," Knowlton says. "Climate change also extends the pollen production season, and some studies are beginning to suggest that ragweed pollen itself might be becoming a more potent allergen." That means more people will suffer runny noses, fevers, itchy eyes, and other symptoms.

10 Serious Effects of Air Pollution on the Environment

- Global Warming.
- Climate Change.
- Acid Rain.
- Smog effect.
- Deterioration of fields.
- Extinction of animal species.
- Respiratory health problems.
- Deterioration in building materials.

Soil pollution or Soil contamination as part of land degradation is caused by the presence of xenobiotics (human-made) chemicals or other alteration in the natural soil environment. It is typically caused by industrial activity, agricultural chemicals or improper disposal of waste.

Illegal dumping of the solid wastes, polluted water absorbed by the soil, use of chemical fertilizers and pesticides, dumping of minerals, oils, and radioactive wastes are the major causes of soil pollution (Cachada et al. 2018).

The most common chemicals involved are petroleum hydrocarbons, polynuclear aromatic hydrocarbons (such as naphthalene and benzo(a)pyrene), solvents, pesticides, lead, and other heavy metals. Contamination is correlated with the degree of industrialization and intensity of chemical substance. The concern over soil contamination stems primarily from health risks, from direct contact with the contaminated soil, vapour from the contaminants, or from secondary contamination of water supplies within and underlying the soil. Mapping of contaminated soil sites and the resulting clean-ups are time-consuming and expensive tasks, requiring extensive amounts of geology, hydrology, chemistry, computer modelling skills, and GIS in Environmental contamination, as well as an appreciation of the history of industrial chemistry.

Contaminated or polluted soil directly affects human health through direct contact with soil or via inhalation of soil contaminants which have vaporized; potentially greater threats are posed by the infiltration of soil contamination into groundwater aquifers used for human consumption, sometimes in areas apparently far removed from any apparent source of above ground contamination. This tends to result in the development of pollution -related diseases like neuromuscular blockage.

Ecosystem effect:

Soil contaminants can have significant deleterious consequences for ecosystems. There are radical soil chemistry changes which can arise from the presence of many hazardous chemicals even at low concentration of the contaminant species. The changes can manifest in the alteration of metabolism, of endemic microorganisms and arthropods resident in a given soil environment. The result can be virtual eradication of some of the primary food chain, which in turn could have major consequences for predators or consumer species. Even if the chemical effect on lower life forms is small, the lower pyramid levels of the food chain may ingest alien chemicals, which normally become more concentrated for each consuming rung of the food chain. Many of these effects are now well known, such as the concentration of persistent DDT materials for avian consumers, leading to weakening of egg shells, increased chick mortality and potential extinction of species.

Marine Pollution:

Marine pollution is a combination of chemicals and trash, most of which comes from land sources and is washed or blown into the ocean. This pollution results in damage to the environment, to the health of all organisms, and to economic structures worldwide. 5 - 8. Marine pollution occurs when harmful effects result from the entry into the ocean of chemicals, particles, industrial, agricultural and residential waste, noise, or the spread of invasive organisms. Eighty percent of marine pollution comes from land.

Causes of Marine Pollution:

- Here are some of the major causes of marine pollution:
- Nonpoint source pollution (Runoff)
- Oil spills.
- Littering.
- Ocean mining.
- Harmful to marine animals.
- A threat to human health.
- Reduce chemical fertilizer use.
- Skip for reusable bottles and utensils.

Effects of Marine Pollution:

The specific effects of ocean pollution on sea life include: Oil covering the feathers of birds and the gills of fish. Skin and eye irritation and lung and liver problems from oil deposits and by-products. Reproductive system failure from exposure to poisonous industrial and agricultural chemicals.

Every day, toxic chemicals are entering our oceans. If humans are exposed to these toxic chemicals for long periods of time, then this can result in dangerous health problems, which include hormonal issues, reproductive issues, and damage to our nervous systems and kidneys.

Types of pollution affect Marine Pollution:

Marine pollution encompasses many types of pollution that disrupt the marine ecosystem, including chemical, light, noise, and plastic pollution.

(There are many ways to categorize and examine the inputs of pollution into marine ecosystems. Patin (n.d.) notes that generally there are three main types of inputs of pollution into the ocean: direct discharge of waste into the oceans, runoff into the waters due to rain, and pollutants released from the atmosphere.)

Marine pollution occurs when harmful effects result from the entry into the ocean of chemicals, particles, industrial, agricultural and residential waste, noise, or the spread of hostile organism. Eighty percent of marine pollution comes from land. Air pollution also a contributes factor by carrying off iron, carbonic acid, nitrogen, silicon, sulphur, pesticides or dust particles into the ocean. Land and air pollution have proven to be harmful to marine life and its habitats.

The pollution often comes from nonpoint sources such as agricultural runoff, wind-blown remains, and dust. Pollution in large bodies of water can be aggravated by physical phenomena like the biological effects of Langmuir circulation. Nutrient pollution, a form of water pollution, refers to contamination by excessive inputs of nutrients.

It is a primary cause of eutrophication of surface waters, in which excess nutrients, usually nitrates or phosphates, stimulate algae growth. Many potentially toxic chemicals adhere to tiny particles which are then taken up by plankton and benthic animals, most of which are either deposits feeders or filter feeders. The toxins are concentrated upward within ocean food chains. Many particles combine chemically in a manner highly depletive of oxygen, causing estuaries to become anoxic.

When pesticides are incorporated into the marine ecosystem, they quickly become absorbed into marine food webs. Once in the food webs, these pesticides can cause mutations, as well as diseases, which can be harmful to humans as well as the entire food web. Toxic metals can also be introduced into marine food webs. These can cause a change to tissue matter, biochemistry, behaviour, reproduction, and suppress growth in marine life. Many animal feeds have a high fish meal or fish hydrolysate content. In this way, marine toxins can be transferred to land animals, and appear later in meat and dairy products.

Noise pollution:

Noise pollution is generally defined as regular exposure to elevated sound levels that may lead to adverse effects in humans or other living organisms. According to the World Health Organization, sound levels less than 70 dB are not damaging to living organisms, regardless of how long or consistent the exposure is.

Noise pollution is considered to be any unwanted or disturbing sound that affects the health and well-being of humans and other organisms. Exposure to loud noise can also cause high blood pressure, heart disease, sleep disturbances, and stress. These health problems can affect all age groups, especially children.

CAUSES OF NOISE POLLUTION

- Traffic noise.
- Air traffic noise.
- Construction sites.
- Catering and night life.
- Animals.
- Physical.
- Psychological.
- Sleep and behavioural disorders.

High noise levels can contribute to cardiovascular effects in humans and an increased incidence of coronary artery diseases. In animals, noise can increase the risk of death by altering predator or prey detection and avoidance, interfere with reproduction and navigation, and contribute to permanent hearing loss. A substantial amount of the noise that humans produce occurs in the ocean. Recently, most research on noise impacts has been focused on marine mammals, and to a lesser degree, fish. In the past few years, scientists have shifted to conducting studies on invertebrates and their responses to anthropogenic sounds in the marine environment. This research is essential, especially considering that invertebrates make up 75% of marine species, and thus compose a large percentage of ocean food webs. Of the studies that have been conducted, a sizable variety in families of invertebrates have been represented in the research. A variation in the complexity of their sensory systems exists, which allows scientists to study a range of characteristics and develop a better understanding of anthropogenic noise impacts on living organisms.

Diseases due to Noise Pollution:

The most common health problem it causes is Noise Induced Hearing Loss (NIHL). Exposure to loud noise can cause:

- high blood pressure,
- heart disease,
- sleep disturbances, and
- stress. These health problems can affect all age groups.

Nuclear hazards:

Nuclear hazards are threat posed by the invisible and odourless contamination of the environment by the presence of radioactive materials such as radio-nuclides in air water or soil. These radio-nuclides emit high energy particles (alpha and beta rays) and electromagnetic radiations (gamma rays). Risk or danger to human health or the environment exposed by the radiation emanating from the atomic nuclei is called as nuclear hazard. It is an actual or potential release of radioactive material at a commercial nuclear power plant or a transportation accident. Causes / sources.

Causes of Radioactive Pollution

- Nuclear Accidents from Nuclear Energy Generation Plants.
- The Use of Nuclear Weapons as Weapons of Mass Destruction (WMD)
- Use of Radioisotopes.
- Mining.
- Spillage of Radioactive Chemicals.
- Tests on Radiation.
- Cosmic Rays and Other Natural Sources.
- Nuclear Waste Handling and Disposal.

Diseases caused due to Nuclear Hazard:

Cancer induction is the most significant long-term risk of exposure to a nuclear bomb. Approximately 1 out of every 80 people exposed to 1 Gray will die from cancer, in addition to the normal rate of 20 out of 80. About 1 in 40 people will get cancer, in addition to the typical rates of 16-20 out of 40. It causes acute health effects such as skin burns and acute radiation syndrome (“radiation sickness"). It can also result in long-term health effects such as cancer and cardiovascular disease.

Industrial Waste pollution:

Waste water from manufacturing or chemical processes in industries contributes to water pollution. Industrial waste water usually contains specific and readily identifiable chemical compounds. Water pollution is concentrated within a few subsectors, mainly in the form of toxic wastes and organic pollutants.

Characterizing the Different Types of Industrial Waste

- Chemical Waste. Chemical waste is typically generated by factories, processing centres, warehouses, and plants.
- Solid Waste. In industrial services, solid waste includes a variety of different materials, including paper, cardboard, plastics, packaging materials, wood, and scrap metal.
- Toxic and Hazardous Waste.

Causes of Industrial Waste

- Lack of Policies to Control Pollution.
- Unplanned Industrial Growth.
- Use **Industrial Waste Pollution:** of Outdated Technologies.
- Presence of a Large Number of Small -Scale Industries.
- Inefficient Waste Disposal.
- Leaching of Resources from Our Natural World.
- Natural Resource Use.

Effect of Industrial Waste Pollution:

Industrial waste may be solid, semi-solid or liquid in form. It may be hazardous waste (some types of which are toxic) or non-hazardous waste. Industrial waste may pollute the nearby soil or adjacent water bodies, and can contaminate groundwater, lakes, streams, rivers or coastal waters. Exposure to hazardous waste can affect human health, children being more vulnerable to these pollutants. Waste from agriculture and industries can also cause serious health risks. Other than this, co-disposal of industrial hazardous waste with municipal waste can expose people to chemical and radioactive hazards.

How To Reduce Industrial Waste:

1. Measure Your Waste.
2. Be a More Efficient Business.
3. Consider a Waste Exchange.
4. Reduce the Amount of Packaging.
5. Think About Food Waste.
6. Cut Down on Bottled Water
7. Use Signs.
8. Hire a Professional Waste Management Business.

DISASTER:

A ***disaster*** is a sudden, calamitous event that seriously disrupts the functioning of a community or society and causes human, material, and economic or environmental losses that exceed the community's or society's ability to cope using its own resources. Though often caused by nature, disasters can have human origins.

A disaster is a serious disruption occurring over a short or long period of time that causes widespread human, material, economic or environmental loss which exceeds the ability of the affected community or society to cope using its own resources.

There are two types of disaster: (natural and man-made.)

1. Natural Disaster: A disaster caused by natural factors called as a natural disaster e.g., earthquake, flood, cyclone etc.
2. Man-made disaster: A disaster caused due to the human activities e.g., wars, fire accidents, industrial accidents etc.

Disaster Management can be defined as the organization and management of resources and responsibilities for dealing with all humanitarian aspects of emergencies, in particular, preparedness, response and recovery in order to lessen the impact of disasters. Disasters are the consequences of natural or human hazards.

Disaster management efforts aim to reduce or avoid the potential losses from hazards, assure prompt and appropriate assistance to the victims of a disaster, and achieve a rapid and effective recovery. It is crucial that hospitals remain safe and functional during and after disasters.

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These common elements allow you to prepare for and protect yourself and your animals from disaster. Emergency managers think of disasters as recurring events with four phases: Mitigation, Preparedness, Response, and Recovery.

The Top 20 Biggest Man-Made Disasters

1. The Bhopal Gas Leak. The victims of the gas leak.
2. The Jilin Chemical Explosion. The toxic cloud from the explosion.
3. The Tennesse Coal Ash Spill. A house in Kingston buried in the ash.
4. The Sidoarjo mud volcano.
5. The North Pacific Garbage Patch.
6. The Gulf War Spill.
7. The Deepwater Horizon Oil Spill.
8. The Exxon Valdez Oil Spill.
9. Volcanic eruption

4 benefits of disaster recovery planning:

- Cost-Efficiency. Disaster recovery plans have multiple components.
- Increased Employee Productivity. A disaster recovery plan will have to be executed by the right people.
- Greater Customer Retention.
- A Better Understanding of Scalability.

Measures to prevent hazards:

- Prevention,
- Mitigation,

- Preparedness,
- Response and
- Recovery are the five steps of Emergency Management.

Components of Disaster Risk management.

- Mitigation / Measures to be taken before and after an event.
- Preparedness / Measures to be taken before and after an event.
- Response / Measures to be taken during and immediately after an event.
- Recovery / Post disaster measures (long term after the disaster).

Some examples of social factors that affect retail businesses include:

- Acceptance of internet commerce.
- Advertising preferences.
- Age distribution.
- Buying habits.
- Comfort with technology.
- Customer service expectations.
- Disposable income levels.
- Education level.

Most acute Contemporary social issues:

Abortion,
World poverty,
Animal rights,
Immigration,
Physician-assisted suicide,
Freedom of religion,
Hate speech, cloning,
Income inequality,
Pornography,
Gun rights,
Racial profiling,
Capital punishment,
Overpopulation,
Prostitution,
Drug legalization,
Cruelty and torture.

MOD 3:

Introduction to Business Ethics:

'Business Ethics' can be termed as a study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities.

Businesses must abide by some basic principles. It should provide quality goods and services at reasonable prices to their consumers. It must also avoid adulteration, misleading advertisements, and other unfair malpractices.

Definition:

According to Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

Baumhart defines, "The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly."

Features of Business Ethics

There are eight major features of business ethics −

- **Code of Conduct** − Business ethics is actually a form of codes of conduct. It lets us know what to do and what not to do. Businesses must follow this code of conduct.
- **Based on Moral and Social Values** − Business ethics is a subject that is based on moral and social values. It offers some moral and social principles (rules) for conducting a business.
- **Protection to Social Groups** − Business ethics protect various social groups including consumers, employees, small businesspersons, government, shareholders, creditors, etc.
- **Offers a Basic Framework** − Business ethics is the basic framework for doing business properly. It constructs the social, cultural, legal, economic, and other limits in which a business must operate.
- **Voluntary** − Business ethics is meant to be voluntary. It should be self-practiced and must not be enforced by law.
- **Requires Education & Guidance** − Businessmen should get proper education and guidance about business ethics. Trade Associations and Chambers of Commerce should be active enough in this matter.
- **Relative Term** − Business ethics is a relative term. It changes from one business to another and from one country to another.
- **New Concept** − Business ethics is a relatively newer concept. Developed countries have more exposure to business ethics, while poor and developing countries are relatively backward in applying the principles of business ethics.

Nature of Business Ethics:

The nature of business ethics refers to the standard characteristics of human behaviour in its definition as its core concept. It has moral and social norms for doing business. This

includes self-control, consumer protection, and welfare, community service, fair treatment of social groups, exploitation of others, etc. Business ethics is known as the nature of business ethics. It deals with the corporate sector in various points related to their ethics of business.

Scopes of Business Ethics:

"Business ethics (also corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organizations."

Business ethics is based on moral and social values. It contains moral and social principles (rules) for doing business. It provides basic framework for doing business. It gives the social cultural, economic, legal and other limits of business.

Business Ethics for Executives

- Honesty.
- Integrity.
- Promise-Keeping & Trustworthiness.
- Loyalty.
- Fairness.
- Concern for Others.
- Respect for Others.
- Law Abiding.

Objectives of Business Ethics:

The Objectives of Ethics are to evaluate the human behaviours and calling up on the moral standards. The ethical standards also prescribe how to act morally in specified situations.

The objectives of the study on Professional Ethics may be listed as:

1. Improvement of the cognitive skills (skills of the intellect in thinking clearly)
2. Moral awareness (proficiency in recognizing moral problems in engineering)
3. Cogent moral reasoning (comprehending, assessing different views).

Factors influencing Business Ethics:

1. Personal Code of Ethics

A man's personal code of ethics that is what one considers moral is the foremost responsible factor influencing his behaviour.

2. Legislation

It is already stated that the Government will intervene and enact laws only when the businessmen become too unethical and selfish and totally ignore their responsibility to the society. No society can tolerate such misbehaviour continuously. It will certainly exert pressure on the Government and the Government consequently has no other alternative to prohibit such unhealthy behaviour of the businessmen.

3. Government Rules and Regulations
Laws support Government regulations regarding the working conditions, product safety, statutory warning etc. These provide some guidelines to the business managers in determining what are acceptable or recognized standards and practices.

4. Ethical Code of the Company
When a company grows larger, its standard of ethical conduct tends to rise. Any unethical behaviour or conduct on the part of the company shall endanger its established reputation, public image and goodwill. Hence, most companies are very cautious in this respect. They issue specific guidelines to their subordinates regarding the dealings of the company.

5. Social Pressures
Social forces and pressures have considerable influence on ethics in business. If a company supplies sub-standard products and get involved in unethical conducts, the consumers will become indifferent towards the company. Such refusals shall exert a pressure on the company to act honestly and adhere strictly to the Business Ethics. Sometimes, the society itself may turn against a company.

6. Ethical Climate of the Industry
Modern industry today is working in a more and more competitive atmosphere. Hence only those firms, which strictly adhere to the ethical code, can retain its position unaffected in its line of business. When other firms, in the same industry are strictly adhering to the ethical standards, the firm in question should also perform up to the level of others. If the company's performance is below than other companies, in the same industry, it cannot survive in the field in the long run.

Ethics in Marketing:

Ethical marketing refers to the process by which companies market their goods and services by focusing not only on how their products benefit customers, but also how they benefit socially responsible or environmental causes. To put this another way, ethical marketing isn't a strategy; Marketing ethics is an area of applied ethics which deals with the moral principles behind the operation and regulation of marketing. Some areas of marketing ethics (ethics of advertising and promotion) overlap with media and public relations ethics.

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What is ethical marketing?

- **Ethical marketing** refers to the application of marketing ethics into the marketing process
- Marketing ethics has the potential to benefit society as a whole, both in the short- and long-term
- Study of Ethical marketing should be included in applied ethics and involves examination of whether or not an honest and factual representation
- Marketing ethics has influenced companies and their response is to market their products in a more socially responsible way
- The increasing trend of fair trade is an example of the impact of ethical marketing

Ethics in Finance:

Ethical dilemmas and ethical violations in finance can be attributed to an inconsistency in the conceptual framework of modern financial-economic theory and the widespread use of a principal-agent model of relationship in financial transactions. The financial-economic theory that underlies the modern capitalist system is based on the rational-maximizer paradigm, which holds that individuals are self-seeking (egoistic) and that they behave rationally when they seek to maximize their own interests.

The principal-agent model of relationships refers to an arrangement whereby one party, acting as an agent for another, carries out certain functions on behalf of that other. Such arrangements are an integral part of the modern economic and financial system, and it is difficult to imagine it functioning without them.

The behavioral assumption of the modern financial-economic theory runs counter to the ideas of trustworthiness, loyalty, fidelity, stewardship, and concern for others that underlie the traditional principal-agent relationship. The traditional concept of agency is based on moral values. However, if human beings are rational maximizers, then agency on behalf of others in the traditional sense is impossible.

The ethical dilemma presented by the problem of conflicting interests has been addressed in some areas of finance, such as corporate governance, by converting the agency relationship into a purely contractual relationship that uses a carrot-and-stick approach to ensure ethical behavior by agents. In corporate governance, the problem of conflict between management (agent) and stockholders (principal) is described as an agency problem.

Economists have developed an agency theory to deal with this problem. The agency theory assumes that both the agent and the principal are self-interested and aim to maximize their gain in their relationship. A simple example would be the case of a store manager acting as an agent for the owner of the store. The store manager wants as much pay as possible for as little work as possible, and the store owner wants as much work from the manager for as little pay as possible.

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Most of the needs for financial services-management of retirement savings, stock and bond investing, and protection against unforeseen events, to name a few are such that they are better entrusted to others because no one is having neither the ability nor the time to carry and watch out the investment part effectively.

The corporate device of contractualization of the agency relationship is, however, too difficult to be applied to the multitude of financial dealings between individuals and institutions that take place in the financial market every day. Individuals are not as well organized as stockholders, and they are often unaware of the agency problem.

Lack of information also limits their ability to monitor an agent's behaviour. Therefore, what we have in our complex modern economic system is a paradoxical situation: the ever-increasing need for getting things done by others on the one hand, and the description of human nature that emphasizes selfish behaviour on the other. This paradoxical situation, or the inconsistency in the foundation of the modern capitalist system, can explain most of the ethical problems and declining morality in the modern business and finance arena.

Finance is defined as the management of money and includes activities such as

- investing,
- borrowing,
- lending,
- budgeting,
- saving,
- and forecasting.

This guide provides an overview of how public finances are managed, what the various components of public finance are governed.

Financial Management is the study of ways in which managers obtain funds, manage working capital, and allocate funds to long-term investments.

Finance is comprised of 3 interrelated major areas: (1) money and capital markets, which deals with securities markets and financial institutions; (2) investments, which focuses on the decisions made by both individual and institutional investors as they choose securities for their investment portfolios; and (3) managing working capital.

The reasons:

To Generate Money

- To start a business, money or funds is the primary criteria. It is obvious that to make the first step and launch business, capital investment is required. Further, as the timeline moves up, getting materials, hiring professionals, marketing and testing, every single step would need financial management.

To Organize Operations

- Businesses generate enormous amounts of money every day. This money has to be used further to pay bills, delegate funds, invest in multiple engagements and monitor all. Managing the inflow and outflow of money within the organization and outside is a vital decision. Failing the above, it becomes tough to allocate funds efficiently and effectively. Not to forget that irregular flow of money can turn a business insolvent.

To Manage Cash Flow

- Having excessive funds is as fatal as having lesser ones. For an organization to be carried on day- to- day processing, it becomes imperative to manage the cash flow. In case anyone has higher funds and is not using it as needed, it signifies wastage of resources. For an enterprise that has surplus cash, putting them to use and investing in significant engagements would yield better returns and help them in expanding the business.

To Strategize Funding

- When business want to allocate funds and use it to map the expenses that take place on a regular basis. However, spending any or every cash without proper planning is not wise. It is required to keep track of the expenses, monitor the frequency and then decide how to spend and how much to spend. At times, it is important to cut down extra costs and reduce expenses. This can only be done when management of finance undertakings effectively. It is advocated that companies must have sufficient funds to deal with situations of monetary crisis.

To Outline Long Term Goals

- Organizations work to grow and scale their business high. To do so, it is important to have significant future goals that the organization aims to accomplish in a span of five or ten years. Financial Management helps an organization to achieve its goals without fail. Consider that any business organisation has planned to expand to different three new cities. While actually implementing the plan, the management runs out of money. This wouldn't have happened had the decision managed the organization's finance and then executed. Pre-planning and working on the available cash of the organization helps to figure out the future possibilities of crisis while moving ahead to attain the organisational goal.

To Sustain Economic Downturn

If look at the growth graph of an organization, one will never find that the growth line rises straight or is without any bends. The growth of the cycle of business organization is a mix and merge of highs and lows which of course could be due to various reasons. Recession, depression, boom or failure, all add up to the fall of a business. With sufficient finance and significant financial management, it becomes easier for the organization to walk down the business cycle. No matter how bad the situation is, they are always ready to face the problem and bear the consequences without being under the threat of shutting down. Failure-proof financial management plans help the organization thrive even know adverse economic conditions.

Corporate/ business finance is an important and inevitable function in any business and efficient financial management is crucial for success and sustenance since it involves the management of financial resources and financial activities of the organization.

A team of finance and accounting professionals or the finance department generally handles it. Financial analytics is a chapter available to help gain a deep understanding of advanced concepts in the areas of accounts and finance, and to keep themselves abreast of changing trends, mechanisms and legislation.

Initial Capital:

It is popularly said that money is essential for making money. To start the activities of a business, capital investment is required. For ideas to materialize and become products/ services, the groundwork for sales, product testing, marketing, etc. seed capital is essential. Businesses have a tough but defining choice between debt and equity financing.

Meeting operational expenses:

In the short-term, businesses require finance in the form of working capital to meet operational expenses such as remunerative payments, raw materials, inventory, interest payments, etc. Proper short-term financial planning and maintenance of good working capital flow is crucial to keep the operations going. Though maintain adequate cash flow is always important, it is especially important in the starting stages since revenues will take some time to match the cash outflows.

Scaling up and asset creation:

In the long-term, capital is crucial for purchasing assets like machinery, land, equipment, etc. to expand the production scale. Scaling up production will create assets, help the business grow and penetrate existing markets. The business must have sufficient capital budget to do so and cannot depend on short-term finances for this. They must have savings and should be able to raise and infuse capital investment through debt or equity financing.

New products and markets:

Without finance and proper financial management, even an established organization will not be able to explore newer markets or develop and test newer solutions/ products. Finance is required for testing and research purposes as well as for marketing and advertising purposes.

Business cycles:

Business cycles of growth, boom, recession, depression and renewal caused by changes in the economy and other external factors are a reality. And no matter how well it is doing, the business is bound to bear the consequences and has to be prepared to tackle these cycles. The financial plans must be foolproof and should include plans for when the business takes a hit due economic downturn.

The business cycle, also known as the economic cycle or trade cycle, are the fluctuations of gross domestic product around its long-term growth trend. The length of a business cycle is the period of time containing a single boom and contraction in sequence.

Business cycles are usually measured by considering the growth rate of real gross domestic product. Despite the often-applied term cycles, these fluctuations in economic activity do not exhibit uniform or predictable periodicity. The common or popular usage boom-and-bust cycle refers to fluctuations in which the expansion is rapid and the contraction severe.

The current view of mainstream economics is that business cycles are essentially the summation of purely random shocks to the economy and thus are not, in fact, cycles, despite appearing to be so. However, certain heterodox schools propose alternative theories suggesting that cycles do in fact exist due to endogenous causes.

Ethics aims at controlling and handling all finance issue faced by companies and employees. The various ethical issues included are accounting related like window dressing and improper window dressing, insider trading, fake reimbursements, overbilling, bribery, kickbacks etc.

The role of ethics in financial management is to balance, protect and preserve stakeholders' interests. Eli Lilly and Company, for example, says its code of ethics in finance covers obligations to management, fellow employees, business partners, the public and shareholders.

The Ethics code ensures that all members of the company demonstrate integrity and honesty in their work with clients and other professional relationships. The ethics code also prevents

accountants from associating themselves with any information that could be misleading or damaging to the client or the organisation.

General ethical norms encompass truthfulness, honesty, integrity, respect for others, fairness, and justice. This relates to all aspects of life, including business and finance. Financial ethics is, therefore, a subset of general ethics.

Ethics in general is concerned with human behavior that is acceptable or "right" and that is not acceptable or "wrong" based on conventional morality. General ethical norms encompass truthfulness, honesty, integrity, respect for others, fairness, and justice. They relate to all aspects of life, including business and finance. Financial ethics is, therefore, a subset of general ethics.

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The behavioral assumption of the modern financial-economic theory runs counter to the ideas of trustworthiness, loyalty, fidelity, stewardship, and concern for others that underlie the traditional principal-agent relationship. The traditional concept of agency is based on moral values. However, if human beings are rational maximizers, then agency on behalf of others in the traditional sense is impossible. As Duska (1992) explains it: "To do something for another in a system geared to maximize self-interest is foolish. Such an answer, though, points out an inconsistency at the heart of the system, for a system that has rules requiring agents to look out for others while encouraging individuals to look out only for themselves, destroys the practice of looking out for others"

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"The job of agency theory is to help devise techniques for describing the conflict inherent in the principal-agent relationship and controlling the situations so that the agent, acting from self-interest, does as little harm as possible to the principal's interest" (DeGeorge, 1992). The agency theory turns the traditional concept of agency relationship into a structured (contractual) relationship in which the principal can influence the actions of agents through incentives, motivations, and punishment schemes. The principal essentially uses monetary rewards, punishments, and the agency laws to command loyalty from the agent.

Ethical Concerns in Financial Reporting and Analysis

- Financial Reporting and Analysis:

  Faking the Numbers. The most common ethical concern within reporting and analysis is “faking the numbers or figures“.

- Asset Misappropriation.
- Disclosure Concerns.
- Executive Focusing.
- No Direct Chain of Command.
- The Overview.

Accounting ethics refers to following specific rules and guidelines set by governing bodies that every person associated with accounting should follow to prevent misuse of the financial information or their management position.

BCG matrix

GE Matrix

High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession.

The Code of Ethics maintains that investment professionals must place the integrity of the profession and the interests of clients above their own, and act with competence and respect. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession.

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Purpose of ethics in finance and accounting.

The purpose of financial accounting ethics is to ensure that certified public accountants (CPAs) conduct their duties objectively and with integrity. Financial accounting ethics form the basis for legal and regulatory requirements and include issues related to maintaining public trust.

Integrity requires accountants to be honest, candid and forthright with a client's financial information. Accountants should restrict themselves from personal gain or advantage using confidential information.

These ethics and conduct rules ensure all accountants act in a consistent manner.

Four standards of ethical conduct in management accountants' professional activities were developed by the Institute of Management Accountants. The four standards are competence, confidentiality, integrity, and credibility.

The major ethical issues that have to be deal by the human resource management are a concern with the privacy issues, cash and compensation plan, employment issues, safety issues, race and disability, performance appraisal and employee's responsibility.

Major Issues in Ethical Management

- Harming some while benefitting others. HR managers do much of the screening while the hiring process is still on.
- Equal Opportunity.
- Privacy.
- Compensation and Skills.
- Labour Costs.
- Opportunity for New Skills.
- Fair Hiring and Justified Termination.
- Fair Working Conditions.

Human Resource Management (HRM) deals with work force management, manpower planning and other employee related activities in an organization. HRM concerns human issues, especially those related with compensation, development, industrial relations, health and safety issues As human resource professionals, ethically responsible for promoting and fostering fairness and justice for all employees and their organizations. To create and sustain an environment that encourages all individuals and the organization to reach their fullest potential in a positive and productive manner.

Employee ethics are a set of principles that forms the rules of conduct for a group of people, such as a business. Ethics focus on day-to-day behavior and decision making. Employee ethics apply to people at all levels of the organization and help to determine the success of the organization.

HR directs the flow of people in and out of the organization. They direct the onboarding process, and they facilitate the ongoing education of all employees. Their fingerprint is all over the people that make up the organization. Accountability is keeping your commitments to people.

HR managers can help to ensure that organisations operate with due concern for fairness, integrity and justice both to reduce the likelihood of ethical conflicts arising and in dealing with them in the event that they do.

HR professionals help lay out the expectations for employees by developing written standards of ethical workplace conduct, providing training to make sure everyone is aware of the expectations and equipping managers to reinforce the company's values through their actions.

People are an organisation's most valuable resource. They need to feel valued in order to develop their talents, increase their productivity and choose to remain in an organisation. Ethics in HR ensures that with structures like L&D and retention efforts in place, an organisation will meet its employees' expectations.

Today's Top 10 Human Resource Management Challenges

- Change management. 48%
- Leadership development. 35%
- HR effectiveness measurement. 27%
- Organizational effectiveness. 25%
- Compensation. 24%
- Staffing: Recruitment and availability of skilled local labor. 24%
- Succession planning. 20%
- Learning and development. 19%

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's 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.

How to Address Ethical Issues in the Workplace

1. Introduce a Policy. Most large companies enforce codes of ethics that clearly state the definition of, and the punishment for, employee misconduct.
2. Provide Resources and Education.
3. Employ a Confidential System.
4. Be Consistent.

Improving Ethics in the Workplace

1. Create a code.
2. Engage with your employees and customers.

3. Reinforce the benefits of the code.
4. Be a good role model.
5. Train your employees.
6. Promote your ethical behaviour.
7. Reward ethical behaviour.
8. Learn from your mistakes.

Ethics in Decision making:

Ethical decision-making refers to the process of evaluating and choosing among alternatives in a manner consistent with ethical principles. In making ethical decisions, it is necessary to perceive and eliminate unethical options and select the best ethical alternative.

Most ethical decisions have:

(a) multiple alternatives;
(b) consequences that extend beyond the immediate situation;
(c) uncertain consequences;
(d) outcomes that mix various economic, legal, and social benefits and costs; and
(e) personal implications. A large portion of the study of ethics deals with the approach or source of the principles or standards to be used for ethical decision making in business.

Ethical decision making will be reserved for use in a group decision making context. Specifically, this address ethical decision making in business as providing the guiding requirements or goals for right conduct. These requirements often come as the result of organizational definition, agreement, or long-standing custom. There is clear recognition that ultimately a personal choice must be made with respect to right conduct, but business ethics will provide the assessment framework for correct behavior in the business organization.

A number of schools of thought have developed that include the following approaches (in no specific order):

- Utilitarian (on concept of utility maximization)
- Moral rights
- Universalist (ultimate benefit of mankind)
- Cost-benefit (cost minimisation without hampering quality)
- Fairness or justice
- Common good
- Virtue
- Deontological (based on moral obligation)
- Teleological (focus on end result)
- Contextualist (Based on facts and context)
- Principle-based
- As well for others

Four principles of Ethical Decision Making:

- Autonomy,
- Beneficence,
- Non-maleficence, and
- Justice

Three Frameworks:

Based upon the three-part division of traditional normative ethical theories discussed above, it makes sense to suggest three broad frameworks to guide ethical decision making:

The Consequentialist Framework

In the Consequentialist framework it is focused on the future effects of the possible courses of action, considering the people who will be directly or indirectly affected and asked about what outcomes are desirable in a given situation by considering ethical conduct to be achieved the best consequences.

The Duty Framework

In the duty framework ethical conduct is defined by doing one's **duties** and doing the right thing, and the goal is performing the correct action.

and

The Virtue Framework

In the Virtue framework, it is tried to identify the character traits (either positive or negative) that might motivate us in a given situation. It defines ethical behaviour as whatever a virtuous person would do in the situation, and we seek to develop similar virtues.

Steps of ethical Decision Making:
1 - Gather the facts. (Don't jump to conclusions without knowing the facts).
2 – Define the ethical issue(s)
3 – Identify the affected parties.
4 – Identify the consequences.
5 – Identify the relevant principles,
6 – Consider the organisational character
7 – Think creatively about potential.
8 – Check confidence and take decision

Consequences:
Think about potential positive and negative consequences for affected parties by the decision (Focus on primary stakeholders to simplify analysis until the decision maker become comfortable with the process).

- ➢ What is the magnitude of the consequences and the probability that the consequences will happen?
- ➢ Short term vs. Long term consequences – will decision be valid over time.
- ➢ Broader systemic consequences – tied to symbolic and secrecy

♣ Symbolic consequences – Each decision sends a message.

♣ Secrecy consequences – What are the consequences if the decision or action becomes public?

- ➢ Did the management consider relevant cognitive barriers/biases?
- ➢ Consider what the decision would be based only on consequences – then move on and see if it is similar given other considerations.

As a consequence, evaluation of appropriate ethical behavior will have limitations. In all outcomes there are the following possibilities:

- ✓ Right motivation with right action
- ✓ Right motivation with wrong action
- ✓ Wrong motivation with right action
- ✓ Wrong motivation with wrong action

A customer service representative takes responsibility for failing to follow through with a service action is making an **ethical decision**. A manager taking responsibility for his team not making a deadline because of his lack of oversight is ethical behaviour.

Steps for accurate ethical decision making:

1. **Step 1: Identify the problem.** Sometimes just realizing a particular situation is ethical can be the important first step. Occasionally in our organizations, we may feel that it's just the "way of doing business" and not think to question the ethical nature.
2. **Step 2: Identify the potential issues involved.** Who could get hurt? What are the issues that could negatively impact people and/or the company? What is the worst-case scenario if we choose to do nothing?
3. **Step 3: Review relevant ethical guidelines.** Does the organization have policies and procedures in place to handle this situation? For example, if a client gives you a gift, there may be a rule in place as to whether you can accept gifts and if so, the value limit of the gift you can accept.
4. **Step 4: Know relevant laws and regulations.** If the company doesn't necessarily have a rule against it, could it be looked at as illegal?
5. **Step 5: Obtain consultation.** Seek support from supervisors, co-workers, friends, and family, and especially seek advice from people who you feel are moral and ethical.
6. **Step 6: Consider possible and probable courses of action.** What are all of the possible solutions for solving the problem? Brainstorm a list of solutions—all solutions are options during this phase.
7. **Step 7: List the consequences of the probable courses of action.** What are both the positive and negative benefits of each proposed solution? Who can the decision affect?
8. **Step 8: Decide on what appears to be the best course of action.** With the facts we have and the analysis done, choosing the best course of action is the final step. There may not always be a "perfect" solution, but the best solution is the one that seems to create the most 'good' and the least 'harm'.

Most organizations provide such a framework for decision making. By providing this type of framework, an employee can logically determine the best course of action. The Department of Defence uses a similar framework whenever making decisions.

Ethics in human resources: Six guidelines for HR teams

- Know the laws.
- Prioritize professional development.
- Be an ethical HR leader.
- Understand conflicts of interest.
- Implement diversity and inclusion practices.
- Keep information confidential.

There are six broad ethical areas that need to be considered in your research. In this chapter, we will discuss voluntary participation, informed consent, confidentiality and anonymity, the potential for harm, communicating the results, and more specific ethical issues.

Major Issues in Ethical Management

- Harming Some While Benefitting Others. HR managers do much of the screening while the hiring process is still on.
- Equal Opportunity.
- Privacy.
- Compensation and Skills.
- Labor Costs.
- Opportunity for New Skills.
- Fair Hiring and Justified Termination.
- Fair Working Conditions.

Listed below, according to the ERC study, are the five most frequently observed unethical behaviours.

1. Misusing company time.
2. Abusive behaviour.
3. Employee theft.
4. Lying to employees.
5. Violating company internet policies.

Reduce ethics risk by taking these five key steps:

1. Honestly assess your needs and resources.
2. Establish a strong foundation.
3. Build a culture of integrity — from the top down.

4. Keep a “values focus” in moments of big and small and re-evaluate and revise as needed.

Common Ethical Issues in the Workplace

- Unethical Leadership.
- Toxic Workplace Culture.
- Discrimination and Harassment.
- Unrealistic and Conflicting Goals.
- Questionable Use of Company Technology.

These include; lack of diversity and discrimination, harassment, favouritism or nepotism, health and safety, environmental responsibility, data privacy, social media, and accounting espionage.